



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAITE HILL
LAKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

July 17, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the accompanying financial statements of the Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005. 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 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 our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and December 31, 2005, or its changes in financial position for the years then ended.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
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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 of the Village of Waite Hill, Lake County, Ohio, as of December 31, 2006 and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 July 17, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and 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.

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

Mary Taylor, CPA
Auditor of State

July 17, 2007

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$457,828	\$10,815		\$468,643
Intergovernmental Receipts	317,292	30,848		348,140
Fines, Licenses, and Permits	8,520			8,520
Earnings on Investments	347,010			347,010
Miscellaneous	19,809	10,805		30,614
	<u>1,150,459</u>	<u>52,468</u>	<u>0</u>	<u>1,202,927</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	521,277	63,818		585,095
Public Health Services	15,927			15,927
Community Environment	8,904			8,904
Basic Utility Services	32,686			32,686
Transportation	281,553	76,840		358,393
General Government	224,854			224,854
	<u>1,085,201</u>	<u>140,658</u>	<u>0</u>	<u>1,225,859</u>
Total Receipts Over/(Under) Disbursements	<u>65,258</u>	<u>(88,190)</u>	<u>0</u>	<u>(22,932)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		173,700		173,700
Transfers-Out	(173,700)			(173,700)
	<u>(173,700)</u>	<u>173,700</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(108,442)	85,510	0	(22,932)
Fund Cash Balances, January 1, 2006	<u>876,577</u>	<u>203,956</u>	<u>7,867,285</u>	<u>8,947,818</u>
Fund Cash Balances, December 31, 2006	<u>\$768,135</u>	<u>\$289,466</u>	<u>\$7,867,285</u>	<u>\$8,924,886</u>

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

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$467,952	\$11,054		\$479,006
Intergovernmental Receipts	312,726	28,073	\$190,392	531,191
Fines, Licenses, and Permits	9,210	175		9,385
Earnings on Investments	335,775			335,775
Miscellaneous	32,323			32,323
	<u>1,157,986</u>	<u>39,302</u>	<u>190,392</u>	<u>1,387,680</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	514,475	61,386		575,861
Public Health Services	13,034			13,034
Community Environment	7,622			7,622
Basic Utility Services	31,698			31,698
Transportation	283,661	106,331		389,992
General Government	213,943		7,183	221,126
	<u>1,064,433</u>	<u>167,717</u>	<u>7,183</u>	<u>1,239,333</u>
Total Receipts Over/(Under) Disbursements	<u>93,553</u>	<u>(128,415)</u>	<u>183,209</u>	<u>148,347</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		173,000		173,000
Transfers-Out	(173,000)			(173,000)
	<u>(173,000)</u>	<u>173,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(79,447)	44,585	183,209	148,347
Fund Cash Balances, January 1, 2005	<u>956,024</u>	<u>159,371</u>	<u>7,684,076</u>	<u>8,799,471</u>
Fund Cash Balances, December 31, 2005	<u>\$876,577</u>	<u>\$203,956</u>	<u>\$7,867,285</u>	<u>\$8,947,818</u>

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

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Waite Hill, Lake County, Ohio, (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 seven-member Council. The Village provides general government services, solid waste removal and police services.

The Village contracts with the City of Willoughby Hills' Fire Department to provide fire and ambulance services.

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

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village of Waite Hill did not contribute to NOPEC in 2006 or 2005. Financial information can be obtained by contacting NOPEC, 1615 Clarke Avenue, Cleveland, Ohio, 44109.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Demand Deposits, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Corporate Bonds, and U.S. Treasury Notes are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Pension Fund – This fund receives property tax money and transfers from the general fund for the Village's obligation to the Ohio Police and Fire Pension Fund.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund receives proceeds of intergovernmental revenues. The proceeds are used to construct or repair the Village's facilities.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. The Village reserves (encumbers) appropriations for commitments. The reservation is accomplished through the Then and Now certification allowed under Ohio law. Unpaid commitments at year end are encumbered in the subsequent year appropriations.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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. The Village does not grant sick leave since all employees are paid on an annual salary.

2. Equity in Pooled Cash and Investments

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

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

	2006	2005
Demand deposits	\$461,869	\$330,067
Total deposits	461,869	330,067
U.S. Treasury Notes	2,238,600	3,245,039
STAROhio	87,331	413,351
Federal National Mortgage Association	942,706	942,706
Federal Farm Credit Bank	989,546	498,845
Federal Home Loan Bank	789,687	544,755
Federal Home Loan Mortgage Corporation	0	399,640
Corporate Bonds	3,415,147	2,573,415
Total investments	8,463,017	8,617,751
Total deposits and investments	<u>\$8,924,886</u>	<u>\$8,947,818</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

Investments: U.S. Treasury Notes, Corporate Bonds, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,235,781	\$1,150,459	(\$85,322)
Special Revenue	252,815	226,168	(26,647)
Total	<u>\$1,488,596</u>	<u>\$1,376,627</u>	<u>(\$111,969)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,491,700	\$1,258,901	\$232,799
Special Revenue	273,000	140,658	132,342
Capital Projects	450,000	0	450,000
Total	<u>\$2,214,700</u>	<u>\$1,399,559</u>	<u>\$815,141</u>

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,115,085	\$1,157,986	\$42,901
Special Revenue	209,692	212,302	2,610
Capital Projects	0	190,392	190,392
Total	\$1,324,777	\$1,560,680	\$235,903

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,441,000	\$1,237,433	\$203,567
Special Revenue	271,000	167,717	103,283
Capital Projects	450,000	7,183	442,817
Total	\$2,162,000	\$1,412,333	\$749,667

4. Property Tax

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

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.

5. Retirement Systems

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of police members' wages. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

6. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial auto, law enforcement and public official's liability; and
- Umbrella liability coverage.

7. Shared Risk Pool

The Village is a participant in the Ohio Municipal League Group Rating Plan (OML), an insurance purchasing pool. The OML's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program. In 2006 and 2005, the Village paid an enrollment fee of \$1,050 and \$1,210, respectively. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML.

The workers' compensation experience of the participants calculated as one experience and a common premium rate is applied to all participants in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to participants that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.



Mary Taylor, CPA

Auditor of State

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

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the financial statements of the Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated July 17, 2007, wherein we noted the Village 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 affect 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*.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 17, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAITE HILL

LAKE 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
AUGUST 2, 2007**