

**BEARFIELD TOWNSHIP
PERRY COUNTY
Regular Audit
December 31, 2004 and 2003**



**Auditor of State
Betty Montgomery**

To the Board of Trustees
Bearfield Township
Crooksville, Ohio

We have reviewed the *Independent Accountants' Report* of Bearfield Township, Perry County, prepared by Perry & Associates CPAs, A.C., for the audit period January 1, 2003 through December 31, 2004. 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 Accountants' 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 Accountants' 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. Bearfield Township is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 28, 2005

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**BEARFIELD TOWNSHIP
PERRY COUNTY
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INDEPENDENT ACCOUNTANTS' REPORT

Bearfield Township
Perry County
1795 Township Road 320 SE
Crooksville, OH 43731

June 23, 2005

To the Board of Trustees:

We have audited the accompanying financial statements of Bearfield Township, Perry County, (the Government) as of and for the year ended December 31, 2004 and 2003. These financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the government 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. For the year ended December 31, 2004, the Township was required to present the financial statements in accordance with a new reporting model. 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, 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 Government as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Bearfield Township, Perry County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2005, on our consideration of the Government'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.

Perry & Associates CPA's, A.C.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 21,374	\$ 31,395	\$ 52,769
Intergovernmental Receipts	18,585	78,618	97,203
Fines, Licenses and Permits	176	6,700	6,876
Earnings on Investments	44	154	198
Other Revenues	-	12,272	12,272
	<u>40,179</u>	<u>129,139</u>	<u>169,318</u>
Cash Disbursements:			
Current:			
General Government	37,605	-	37,605
Public Safety	300	23,806	24,106
Public Works	-	68,869	68,869
Health	400	15,540	15,940
	<u>38,305</u>	<u>108,215</u>	<u>146,520</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,874</u>	<u>20,924</u>	<u>22,798</u>
Fund Cash Balances, January 1	<u>8,929</u>	<u>35,841</u>	<u>44,770</u>
Fund Cash Balances, December 31	<u>\$ 10,803</u>	<u>\$ 56,765</u>	<u>\$ 67,568</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BEARFIELD TOWNSHIP
PERRY COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 18,643	\$ 29,654	\$ 48,297
Intergovernmental Receipts	19,846	72,045	91,891
Fines, Licenses and Permits	145	6,225	6,370
Earnings on Investments	158	67	225
Other Revenues	47	3,510	3,557
	<u>38,839</u>	<u>111,501</u>	<u>150,340</u>
Cash Disbursements:			
Current:			
General Government	41,263	-	41,263
Public Safety	300	24,279	24,579
Public Works	-	57,928	57,928
Health	400	15,813	16,213
	<u>41,963</u>	<u>98,020</u>	<u>139,983</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,124)</u>	<u>13,481</u>	<u>10,357</u>
Fund Cash Balances, January 1	<u>12,053</u>	<u>22,360</u>	<u>34,413</u>
Fund Cash Balances, December 31	<u><u>\$ 8,929</u></u>	<u><u>\$ 35,841</u></u>	<u><u>\$ 44,770</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Bearfield Township, Perry County (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 ambulance services. The Township contracts with the Village of Crooksville to provide fire and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives property tax money to maintain Township Cemeteries.

Fire Fund – This fund receives property tax money to pay for fire protection services provided to the Township through contracts with the Village of Crooksville.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 6.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$ 67,567.	\$ 44,769.
Total deposits	\$ 67,567.	\$ 44,769.

Deposits are entirely insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which Township Board of Trustees adopts rates. 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. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located in the township.

Tangible personal property taxes are 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 Township.

4. RETIREMENT SYSTEMS

The Township's officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, PERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Township has paid all contributions required through December 31, 2004.

Contributions:	<u>2004</u>	<u>2003</u>
Township	\$ 7,519	\$ 8,419
Employees	<u>4,716</u>	<u>5,282</u>
	\$ 12,235	\$ 13,701

5. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

Casualty Coverage	<u>2003</u>	<u>2002</u>
Assets	\$ 27,792,223	\$ 23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained Earnings	<u>\$ 16,000,923</u>	<u>\$ 14,559,524</u>
Property Coverage	<u>2003</u>	<u>2002</u>
Assets	\$ 5,011,131	\$ 6,596,996
Liabilities	(647,667)	(1,204,326)
Retained Earnings	<u>\$ 4,363,464</u>	<u>\$ 5,392,670</u>

The Township also provides health insurance coverage to its full time employee through a private carrier.

BEARFIELD TOWNSHIP
PERRY COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

6. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 45,952	\$ 40,179	\$ (5,773)
Special Revenue	134,722	129,139	(5,583)
Total	<u>\$ 180,674</u>	<u>\$ 169,318</u>	<u>\$ (11,356)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,952	\$ 41,963	\$ 3,989
Special Revenue	134,722	108,215	26,507
Total	<u>\$ 180,674</u>	<u>\$ 150,178</u>	<u>\$ 30,496</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,830	\$ 38,838	\$ (9,992)
Special Revenue	117,296	111,501	(5,795)
Total	<u>\$ 166,126</u>	<u>\$ 150,339</u>	<u>\$ (15,787)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 48,830	\$ 41,963	\$ 6,867
Special Revenue	117,296	98,019	19,277
Total	<u>\$ 166,126</u>	<u>\$ 139,982</u>	<u>\$ 26,144</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriations in various appropriation accounts in the Fire and Emergency Medical Services funds for the year ended December 31, 2003 and for the year ended December 31, 2004.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2004, debt obligations consisted of the following issuances:

2003 International Dump Truck Purchased August 28, 2003 through the Perry County Engineer's Office, for a total obligation of \$61,480.00, to be repaid \$1,500.00 quarterly, starting in March, 2004

Balance at 12/31/03	Balance at 12/31/04
\$61,480.	\$55,480.

Bearfield Township
Perry County
1795 Township Road 320 SE
Crooksville, OH 43731

June 20, 2005

Township Board of Trustees:

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

We have audited the financial statements of the Bearfield Township, Perry County (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 20, 2005., 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 Township's internal control over financial reporting to determine our auditing procedures to express our opinion 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.

COMPLIANCE

As part of reasonably assuring whether the Township'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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-002.

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

Respectfully submitted,

Perry and Associates
Certified Public Accountants, A.C.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Ohio Rev. Code ' 5705.41 (D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision (Township Clerk) that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority (Township Board of Trustees) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of the then and now certificate, provided the expenditure is otherwise lawful. The Township includes certification language as part of its purchase order. However, the Clerk's prior certification was not obtained for any expenditure tested and the aforementioned exceptions were not followed. We recommend the Clerk's certification be obtained and recorded on purchase orders prior to incurring any Township obligations. The Clerk should deny requests for payments if appropriations are not available.

FINDING NUMBER 2004-002

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated. Actual expenditures exceeded appropriations at December 31, 2004, and December 31, 2003 as follows:

Actual expenditures exceeded appropriations at December 31, 2004, as follows:

Appropriation Budgetary

Fund/Line-Item	Authority	Expenditures	Variance
Fire Fund Contracts	\$18,990	\$20,139	(\$1,150)
EMS Fund Contracts	\$ 3,760	\$ 4,139	(\$ 379)

Actual expenditures exceeded appropriations at December 31, 2003, as follows:

Appropriation Budgetary

Fund/Line-Item	Authority	Expenditures	Variance
Fire Fund Contracts	\$19,710	\$19,805	(\$ 95)
EMS Fund Contracts	\$ 3,800	\$ 4,001	(\$201)

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

We recommend the Township Clerk deny payments when disbursements would exceed appropriations in any account. Once the Board has authorized transfers among appropriation accounts within funds, then the Clerk should record the appropriation amendments in the appropriations ledger. If any fund's total appropriations are to be increased, then the Board can authorize additional appropriations up to the amount of estimated resources. Such amendments or supplemental appropriations should be handled in the same manner as the original appropriations measure and the Board's approval should be documented in the minute record.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number 2002-001

ORC 5705.41 (D) – failure to obtain certification before expenditure.

Fully Corrected: NO

Finding is repeated

Finding Number 2002-002

ORC 5705.41(B) – expenditures exceeded approved appropriations.

Fully Corrected: No

Finding is repeated

Finding Number 2002-003

ORC 5705.10 – all revenues derived from a specific source to be credited to a special fund for the purpose for which the money was received.

Fully Corrected: YES

Finding is no longer valid



**Auditor of State
Betty Montgomery**

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BEARFIELD TOWNSHIP

PERRY 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
JULY 12, 2005**