



**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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FAIRFIELD COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hocking Township
Fairfield County
2859 Boving Road NE
Lancaster, Ohio 43130

To the Board of Trustees

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hocking Township, Fairfield County, Ohio (the Township), as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township'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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than 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, each major fund, and the aggregate remaining fund information of Hocking Township, Fairfield County, Ohio, as of December 31, 2006 and December 31, 2005, and the respective changes in modified cash financial position, the respective budgetary comparisons for the General, Gasoline Tax (2006 only), Road and Bridge, and Special Levy Fund (2006 only) thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Hocking Township
Fairfield County
Independent Accountants' Report
Page 2
For the Year ended December 31, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

The Township has not presented Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires.

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

Mary Taylor, CPA
Auditor of State

August 31, 2007

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,188,299.39
<i>Total Assets</i>	<u><u>\$3,188,299.39</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$151,400.00
Other Purposes	367,636.60
Unrestricted	2,669,262.79
<i>Total Net Assets</i>	<u><u>\$3,188,299.39</u></u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities					
General Government	\$120,188.29	\$0.00	\$0.00	\$0.00	(\$120,188.29)
Public Safety	109,138.08	0.00	0.00	0.00	(109,138.08)
Public Works	709,545.33	17,279.96	128,623.72	223,002.00	(340,639.65)
Health	13,678.96	0.00	0.00	0.00	(13,678.96)
Conservation-Recreation	16,662.00	0.00	0.00	0.00	(16,662.00)
Other	272.40	5,175.05	0.00	0.00	4,902.65
Capital Outlay	91,679.48	0.00	0.00	0.00	(91,679.48)
<i>Total Governmental Activities</i>	<u>1,061,164.54</u>	<u>22,455.01</u>	<u>128,623.72</u>	<u>223,002.00</u>	<u>(687,083.81)</u>
General Receipts					
Property Taxes levied for:					
General Purpose					\$42,882.53
Road and Bridge					115,940.04
Fire Levy					94,763.96
Grants and Entitlements not Restricted to Specific Programs					99,983.80
Proceeds of Loans					79,643.00
Earnings on Investments					129,876.38
Miscellaneous					4,665.62
<i>Total General Receipts</i>					<u>567,755.33</u>
Change in Net Assets					(119,328.48)
<i>Net Assets Beginning of Year</i>					<u>3,307,627.87</u>
<i>Net Assets End of Year</i>					<u><u>3,188,299.39</u></u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	SPECIAL LEVY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,669,262.79	\$69,515.24	\$60,154.28	\$158,612.87	\$230,754.21	\$3,188,299.39
<i>Total Assets</i>	<u>\$2,669,262.79</u>	<u>\$69,515.24</u>	<u>\$60,154.28</u>	<u>\$158,612.87</u>	<u>\$230,754.21</u>	<u>\$3,188,299.39</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,669,262.79	0.00	0.00	0.00	0.00	2,669,262.79
Special Revenue Funds	0.00	69,515.24	60,154.28	158,612.87	79,354.21	367,636.60
Capital Projects Funds	0.00	0.00	0.00	0.00	151,400.00	151,400.00
<i>Total Fund Balances</i>	<u>\$2,669,262.79</u>	<u>\$69,515.24</u>	<u>\$60,154.28</u>	<u>\$158,612.87</u>	<u>\$230,754.21</u>	<u>\$3,188,299.39</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2006

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	SPECIAL LEVY FUND	PUBLIC WORKS SNOKE ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$42,882.53	\$0.00	\$115,940.04	\$94,763.96	\$0.00	\$17,279.96	\$270,866.49
Licenses, Permits and Fees	0.00	0.00	0.00	0.00	0.00	5,175.05	5,175.05
Intergovernmental	73,900.99	85,544.83	23,455.61	11,714.31	223,002.00	33,991.78	451,609.52
Earnings on Investments	127,574.46	1,139.50	0.00	0.00	0.00	1,162.42	129,876.38
Miscellaneous	3,743.82	600.28	321.52	0.00	0.00	0.00	4,665.62
Total Receipts	248,101.80	87,284.61	139,717.17	106,478.27	223,002.00	57,609.21	862,193.06
Disbursements							
Current:							
General Government	111,290.84	0.00	0.00	0.00	0.00	8,897.45	120,188.29
Public Safety	0.00	0.00	0.00	109,138.08	0.00	0.00	109,138.08
Public Works	100,887.77	92,751.78	153,282.03	0.00	302,645.00	59,978.75	709,545.33
Health	13,678.96	0.00	0.00	0.00	0.00	0.00	13,678.96
Conservation-Recreation	16,662.00	0.00	0.00	0.00	0.00	0.00	16,662.00
Capital Outlay	78,079.48	2,600.00	0.00	0.00	0.00	11,000.00	91,679.48
Total Disbursements	320,599.05	95,351.78	153,282.03	109,138.08	302,645.00	79,876.20	1,060,892.14
Excess of Receipts Over (Under) Disbursements	(72,497.25)	(8,067.17)	(13,564.86)	(2,659.81)	(79,643.00)	(22,266.99)	(198,699.08)
Other Financing Sources (Uses)							
Proceeds of Loans	0.00	0.00	0.00	0.00	79,643.00	0.00	79,643.00
Other Financing Uses	(272.40)	0.00	0.00	0.00	0.00	0.00	(272.40)
Total Other Financing Sources (Uses)	(272.40)	0.00	0.00	0.00	79,643.00	0.00	79,370.60
Net Change in Fund Balances	(72,769.65)	(8,067.17)	(13,564.86)	(2,659.81)	0.00	(22,266.99)	(119,328.48)
Fund Balances Beginning of Year	2,742,032.44	77,582.41	73,719.14	161,272.68	0.00	253,021.20	3,307,627.87
Fund Balances End of Year	\$2,669,262.79	\$69,515.24	\$60,154.28	\$158,612.87	\$0.00	\$230,754.21	\$3,188,299.39

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**General Fund**For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$35,500.00	\$35,500.00	\$42,882.53	\$7,382.53
Intergovernmental	65,756.00	65,756.00	73,900.99	8,144.99
Earnings on Investments	13,233.35	13,233.35	127,574.46	114,341.11
Miscellaneous	1.00	1.00	3,743.82	3,742.82
<i>Total receipts</i>	<u>114,490.35</u>	<u>114,490.35</u>	<u>248,101.80</u>	<u>133,611.45</u>
Disbursements				
Current:				
General Government	165,048.00	169,048.00	111,290.84	57,757.16
Public Works	153,400.00	153,400.00	100,887.77	52,512.23
Health	13,752.00	13,752.00	13,678.96	73.04
Conservation-Recreation	500.00	18,500.00	16,662.00	1,838.00
Capital Outlay	125,000.00	107,000.00	78,079.48	28,920.52
<i>Total Disbursements</i>	<u>457,700.00</u>	<u>461,700.00</u>	<u>320,599.05</u>	<u>141,100.95</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(343,209.65)</u>	<u>(347,209.65)</u>	<u>(72,497.25)</u>	<u>274,712.40</u>
Other Financing Sources (Uses)				
Other Financing Uses	0.00	(500.00)	(272.40)	227.60
<i>Net Change in Fund Balance</i>	(343,209.65)	(347,709.65)	(72,769.65)	274,940.00
<i>Fund Balance Beginning of Year</i>	<u>2,742,032.44</u>	<u>2,742,032.44</u>	<u>2,742,032.44</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$2,398,822.79</u>	<u>\$2,394,322.79</u>	<u>\$2,669,262.79</u>	<u>\$274,940.00</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Gasoline Tax Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	40,686.17	40,686.17	85,544.83	44,858.66
Earnings on Investments	498.00	498.00	1,139.50	641.50
Miscellaneous	1.00	1.00	600.28	599.28
<i>Total receipts</i>	<u>41,185.17</u>	<u>41,185.17</u>	<u>87,284.61</u>	<u>46,099.44</u>
Disbursements				
Current:				
Public Works	108,767.58	112,267.58	92,751.78	19,515.80
Capital Outlay	10,000.00	6,500.00	2,600.00	3,900.00
<i>Total Disbursements</i>	<u>118,767.58</u>	<u>118,767.58</u>	<u>95,351.78</u>	<u>23,415.80</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(77,582.41)</u>	<u>(77,582.41)</u>	<u>(8,067.17)</u>	<u>69,515.24</u>
<i>Fund Balance Beginning of Year</i>	77,582.41	77,582.41	77,582.41	0.00
Prior Year Encumbrances Appropriated	0.00	0.00	0.00	0.00
<i>Fund Balance End of Year</i>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$69,515.24</u>	<u>\$69,515.24</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY*Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**Road and Bridge Fund**For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$107,003.09	\$107,003.09	\$115,940.04	\$8,936.95
Intergovernmental	13,999.00	13,999.00	23,455.61	9,456.61
Miscellaneous	1.00	1.00	321.52	320.52
<i>Total receipts</i>	<u>121,003.09</u>	<u>121,003.09</u>	<u>139,717.17</u>	<u>18,714.08</u>
Disbursements				
Current:				
Public Works	194,722.23	194,722.23	153,282.03	41,440.20
<i>Total Disbursements</i>	<u>194,722.23</u>	<u>194,722.23</u>	<u>153,282.03</u>	<u>41,440.20</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,719.14)</u>	<u>(73,719.14)</u>	<u>(13,564.86)</u>	<u>60,154.28</u>
<i>Fund Balance Beginning of Year</i>	73,719.14	73,719.14	73,719.14	0.00
Prior Year Encumbrances Appropriated	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>\$60,154.28</u>	<u>\$60,154.28</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Special Levy Fund

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$87,498.00	\$87,498.00	\$94,763.96	\$7,265.96
Intergovernmental	10,501.00	10,501.00	11,714.31	1,213.31
Miscellaneous	1.00	1.00	0.00	(1.00)
<i>Total receipts</i>	<u>98,000.00</u>	<u>98,000.00</u>	<u>106,478.27</u>	<u>8,478.27</u>
Disbursements				
Current:				
Public Safety	259,272.68	259,272.68	109,138.08	150,134.60
<i>Total Disbursements</i>	<u>259,272.68</u>	<u>259,272.68</u>	<u>109,138.08</u>	<u>150,134.60</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(161,272.68)</u>	<u>(161,272.68)</u>	<u>(2,659.81)</u>	<u>158,612.87</u>
<i>Fund Balance Beginning of Year</i>	161,272.68	161,272.68	161,272.68	0.00
Prior Year Encumbrances Appropriated	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$158,612.87</u>	<u>\$158,612.87</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,307,627.87
<i>Total Assets</i>	<u><u>\$3,307,627.87</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$151,400.00
Other Purposes	414,195.43
Unrestricted	2,742,032.44
<i>Total Net Assets</i>	<u><u>\$3,307,627.87</u></u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$159,239.36	\$0.00	\$522.88	\$0.00	(\$158,716.48)
Public Safety	71,647.35	0.00	0.00	0.00	(71,647.35)
Public Works	308,398.53	25,506.54	111,661.45	245,436.00	74,205.46
Health	14,174.61	0.00	0.00	0.00	(14,174.61)
Other	0.00	12,961.31	119.29	0.00	13,080.60
Capital Outlay	662,444.00	0.00	0.00	0.00	(662,444.00)
<i>Total Governmental Activities</i>	<u>1,215,903.85</u>	<u>38,467.85</u>	<u>112,303.62</u>	<u>245,436.00</u>	<u>(819,696.38)</u>
General Receipts					
Property Taxes Levied For:					
					\$40,980.35
General Purpose					110,503.77
Road and Bridge					90,770.68
Other Purpose					3,067.50
Other Taxes					3,114,024.53
Grants and Entitlements not Restricted to Specific Programs					36,523.69
Earnings on Investments					12,471.95
Miscellaneous					
<i>Total General Receipts</i>					<u>3,408,342.47</u>
Change in Net Assets					2,588,646.09
<i>Net Assets Beginning of Year</i>					<u>718,981.78</u>
<i>Net Assets End of Year</i>					<u><u>3,307,627.87</u></u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	GENERAL	ROAD AND BRIDGE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,742,032.44	\$73,719.14	\$491,876.29	\$3,307,627.87
<i>Total Assets</i>	<u>\$2,742,032.44</u>	<u>\$73,719.14</u>	<u>\$491,876.29</u>	<u>\$3,307,627.87</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,742,032.44	0.00	0.00	2,742,032.44
Special Revenue Funds	0.00	73,719.14	340,476.29	414,195.43
Capital Projects Funds	0.00	0.00	151,400.00	151,400.00
<i>Total Fund Balances</i>	<u>\$2,742,032.44</u>	<u>\$73,719.14</u>	<u>\$491,876.29</u>	<u>\$3,307,627.87</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2005

	GENERAL	ROAD AND BRIDGE	DELMONT ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$40,980.35	\$110,503.77	\$0.00	\$116,277.22	\$267,761.34
Licenses, Permits and Fees	0.00	0.00	0.00	12,961.31	12,961.31
Intergovernmental	3,089,120.82	23,508.00	238,471.00	123,612.54	3,474,712.36
Earnings on Investments	35,105.41	0.00	0.00	1,418.28	36,523.69
Miscellaneous	8,577.77	3,405.12	0.00	608.35	12,591.24
Total Receipts	3,173,784.35	137,416.89	238,471.00	254,877.70	3,804,549.94
Disbursements					
Current:					
General Government	147,527.61	0.00	0.00	11,711.75	159,239.36
Public Safety	0.00	0.00	0.00	71,647.35	71,647.35
Public Works	119,099.65	128,746.94	0.00	60,551.94	308,398.53
Health	14,174.61	0.00	0.00	0.00	14,174.61
Capital Outlay	410,326.00	0.00	238,471.00	13,647.00	662,444.00
Total Disbursements	691,127.87	128,746.94	238,471.00	157,558.04	1,215,903.85
Excess of Receipts Over (Under) Disbursements	2,482,656.48	8,669.95	0.00	97,319.66	2,588,646.09
Fund Balances Beginning of Year	259,375.96	65,049.19	0.00	394,556.63	718,981.78
Fund Balances End of Year	<u>\$2,742,032.44</u>	<u>\$73,719.14</u>	<u>\$0.00</u>	<u>\$491,876.29</u>	<u>\$3,307,627.87</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$33,400.00	\$33,400.00	\$40,980.35	\$7,580.35
Intergovernmental	73,653.20	3,095,668.20	3,089,120.82	(6,547.38)
Earnings on Investments	5,000.00	5,000.00	35,105.41	30,105.41
Miscellaneous	1.00	1.00	8,577.77	8,576.77
<i>Total receipts</i>	<u>112,054.20</u>	<u>3,134,069.20</u>	<u>3,173,784.35</u>	<u>39,715.15</u>
Disbursements				
Current:				
General Government	132,600.00	169,600.00	147,527.61	22,072.39
Public Works	162,558.89	156,558.89	119,099.65	37,459.24
Health	14,300.00	14,300.00	14,174.61	125.39
Conservation-Recreation	500.00	500.00	0.00	500.00
Capital Outlay	75,400.00	451,400.00	410,326.00	41,074.00
<i>Total Disbursements</i>	<u>385,358.89</u>	<u>792,358.89</u>	<u>691,127.87</u>	<u>101,231.02</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(273,304.69)</u>	<u>2,341,710.31</u>	<u>2,482,656.48</u>	<u>140,946.17</u>
<i>Net Change in Fund Balance</i>	(273,304.69)	2,341,710.31	2,482,656.48	140,946.17
<i>Fund Balance Beginning of Year</i>	259,375.96	259,375.96	259,375.96	0.00
Prior Year Encumbrances Appropriated	0.00	0.00	0.00	0.00
<i>Fund Balance End of Year</i>	<u>(\$13,928.73)</u>	<u>\$2,601,086.27</u>	<u>\$2,742,032.44</u>	<u>\$140,946.17</u>

See accompanying notes to the basic financial statements

HOCKING TOWNSHIP, FAIRFIELD COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Road and Bridge Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$98,997.00	\$98,997.00	\$110,503.77	\$11,506.77
Intergovernmental	12,002.00	22,002.00	23,508.00	1,506.00
Miscellaneous	1.00	1.00	3,405.12	3,404.12
<i>Total receipts</i>	<u>111,000.00</u>	<u>121,000.00</u>	<u>137,416.89</u>	<u>16,416.89</u>
Disbursements				
Current:				
Public Works	173,268.00	173,268.00	128,746.94	44,521.06
<i>Total Disbursements</i>	<u>173,268.00</u>	<u>173,268.00</u>	<u>128,746.94</u>	<u>44,521.06</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(62,268.00)</u>	<u>(52,268.00)</u>	<u>8,669.95</u>	<u>60,937.95</u>
<i>Fund Balance Beginning of Year</i>	65,049.19	65,049.19	65,049.19	0.00
Prior Year Encumbrances Appropriated	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$2,781.19</u>	<u>\$12,781.19</u>	<u>\$73,719.14</u>	<u>\$60,937.95</u>

See accompanying notes to the basic financial statements

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 1 – Reporting Entity

Hocking Township, Fairfield County, Ohio, is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, and maintenance of Township roads and bridges. The Township contracts with Amanda Township for fire protection. Police protection is provided by Fairfield County Sheriff Dept.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township does not have component units.

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property, casualty and liability coverage. Note 7 to the financial statements provides additional information for this entity.

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

C. Jointly Governed Organizations

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Township participates in the Fairfield Regional Planning Commission, a forty-eight member board.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a *Statement of Net Assets* and a *Statement of Activities*, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The *Statement of Net Assets* and the *Statement of Activities* display information about the Township as a whole. These statements include the financial activities of the primary government. The statements consist solely of those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The *Statement of Net Assets* presents the cash balance of the governmental activities of the Township at year end. The *Statement of Activities* compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township has only governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund (2006 only), Road & Bridge Fund, Special Levy Fund (2006 only), Delmont Road Fund (2005 only), and Public Works Snake Road Fund (2006 only). The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund function object level for all funds.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the Township invested in certificates of deposit and STAR Ohio. The Certificate of Deposits are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$127,574 and during 2005 was \$35,105.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for highways (Motor Vehicle License, Gasoline Tax, Permissive License Tax and Road & Bridge Funds) and public safety.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Beginning with 2005, the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the Township has elected to not report inventory, prepaid items, capital assets, and long-term debt as part of the cash basis of accounting. Therefore, the transition from the regulatory basis of accounting to the cash basis of accounting has not resulted in any changes to fund balances or equity as previously reported at December 31, 2004.

The Township also implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which established new disclosure requirements for risks associated with deposits and investments.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The *Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis* presented for the General, Gasoline Tax, Road & Bridge and Special Levy Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. For the Township, there are no differences between the budgetary basis and the modified cash basis.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 5 – Deposits and Investments (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At December 31, 2006 and December 31, 2005, the Township had no undeposited cash on hand.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 \$3,004,760 of the Township's bank balance of \$3,204,760 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005 \$3,243,659 of the Township's bank balance of \$3,343,659 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 (2006) represent the collection of 2004 (2005) taxes. Real property taxes received in 2005 (2006) were levied after October 1, 2004 (2005), on the assessed values as of January 1, 2004 (2005), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 (2006) represent the collection of 2004 (2005) taxes. Public utility real and tangible personal property taxes received in 2005 (2006) became a lien on December 31, 2004 (2005), were levied after October 1, 2004 (2005), and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 6 – Property Taxes (Continued)

Tangible personal property tax receipts received in 2005 (2006) (other than public utility property) represent the collection of 2005 (2006) taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004 (2005), on the true value as of December 31, 2004 (2005). Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005 (2006), was \$4.7 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>
Real Property		
Residential	\$ 43,075,080	\$ 42,098,520
Agriculture	11,950,320	12,038,820
Commercial/Industrial/Mineral	3,589,380	2,736,090
Public Utility		
Real	-	-
Personal	4,594,100	4,545,170
Tangible Personal Property	1,010,198	1,919,290
Tangible Personal Exempt	48,012	103,838
Total Assessed Value	<u>\$ 64,267,090</u>	<u>\$ 63,441,728</u>

Note 7 – Risk Management

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

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

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 members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 7 – Risk Management (Continued)

If losses exhaust OTARMA’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

There is no significant reduction in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. The Townships contribution rate pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$11,119, \$10,545, and \$9,878 respectively. The full amount has been contributed.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$5,440. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

Note 10 – Debt

During 2006, the Township entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the Snoke Road Project. The Township borrowed \$79,643 from the OPWC towards the cost of the project. The Township’s long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due Within One Year
<u>Governmental Activities</u>						
OPWC Loan – Snoke Rd.	0%	\$0	\$79,643	\$0	\$79,643	0

The loan is supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township’s future annual debt service requirements:

Year	<u>OPWC Loan – Snoke Rd.</u>
	Principal
2007	\$3,982
2008	7,964
2009	7,964
2010	7,964
2011	7,964
2012-2016	39,823
2017-2021	3,982
Total	<u>\$79,643</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$6,748,044 and an unvoted debt margin of \$3,534,690.

Note 11 – Jointly Governed Organization

Fairfield Regional Planning Commission - The Township appoints a person to represent the Township on the 48 member board of the Fairfield Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial interest of responsibility by the Township.



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

Hocking Township
Fairfield County
2859 Boving Road NE
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hocking Township, Fairfield County, (the Township) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 31, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Accounting Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Township'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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township'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. However, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 31, 2007.

Compliance and Other Matters

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 2006-002 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 31, 2007

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Material Weakness/Significant Deficiency - Entering Financial Data into the Accounting System

The Fiscal Officer should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts or approved budget totals to the Township's accounting system. The following posting errors were noted:

- Intergovernmental receipts from the Fairfield County Auditor for culvert reimbursements in the amount of \$12,592.03 were misposted as miscellaneous receipts in 2005.
- Intergovernmental receipts from the City of Lancaster for road project reimbursements in the amount of \$1,017.11 were misposted as miscellaneous receipts in 2005.
- Gasoline Tax of \$7,508.49 was misposted to the MVL Fund in 2006.
- Intergovernmental receipts from OPWC in the amount of \$223,002 were misposted as other financing sources in 2006.
- Proceeds of Loans from OPWC in the amount of \$79,643 were misposted as other financing sources in 2006.

These posting errors also resulted in misclassifications between program revenues and general revenues on the Statement of Activities in both 2005 and 2006.

In addition to the above, the following differences were noted between the amended certificates and the accounting system:

Year	Fund	Amount on Amended Certificate	Amount posted in UAN System	Variance
2006	Public Works Snoko Road Fund	\$223,002	\$0	(\$223,002)
2005	General Fund	3,134,069	112,054	(3,022,015)
2005	Road and Bridge Fund	121,000	111,000	(10,000)

Not properly posting financial information accurately to the ledgers resulted in the financial statements requiring audit reclassification and adjusting entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all financial activity. The Fiscal Officer should ensure budget amounts entered in the accounting system match amounts approved by the Board of Trustees and/or Budget Commission. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Board of Trustees more closely monitor financial information posting to help detect any posting errors or inaccuracies.

The Township's financial statements and accounting records have been adjusted to accurately reflect the proper receipt line item and fund classifications, estimated receipts, and program or general receipts.

Officials' Response: This issue has been reviewed by the Fiscal Officer and will be corrected forward.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002

Finding For Recovery Repaid Under Audit- Fiscal Officer Compensation

Ohio Rev. Code Section 507.09 sets the salary for Township Fiscal Officers based on the Township's budget. In 2005, the maximum Fiscal Officer salary for Township's having a budget between \$750,001 and \$1,500,000 was \$15,766 and for Township's having a budget between \$3,500,001 and \$6,000,000 was \$19,707. In 2006, the maximum Fiscal Officer salary for Township's having a budget between \$3,500,001 and \$6,000,000 was \$20,298. Based on this, the Fiscal Officer should have received the following salaries:

<u>Year</u>	<u>Budget Between</u>	<u>Amount</u>	<u>Months</u>	<u>Total</u>
2005	\$750,001 and \$1,500,000	\$15,766	9	\$11,824.50
	\$3,500,001 and \$6,000,000	\$19,707	3	4,926.75
				<u>\$16,751.25</u>
2006	\$3,500,001 and \$6,000,000	\$20,298	12	\$20,298

The Township was paying the employee share of Medicare contributions for the Fiscal Officer.

The payment of the employee share of Medicare resulted in compensation over ORC limits as follows.

<u>Year</u>	<u>Salary Per ORC</u>	<u>Salary Received</u>	<u>Overpayment</u>
2005	\$16,751.25	\$16,997.70	\$246.45
2006	\$20,298	\$20,596.68	\$298.68

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Diana Russell, Fiscal Officer, and the Ohio Township Association Risk Management Authority, her bonding company, in the amount of \$545.13 and in favor of the General Fund.

The finding was repaid on October 1, 2007.

Officials' Response: This system program error has been resolved.

FINDING NUMBER 2006-003

Finding for Recovery Repaid Under Audit - Trustee Compensation

Ohio Rev. Code Section 505.24 sets the salary for Township Trustees based on the Township's budget. In 2006, the maximum Trustee salary for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,810.

The Township was paying the employee share of Medicare contributions for all Trustees.

The payment of the employee share of Medicare resulted in compensation in excess of ORC limits as follows for Douglas Shaw, Trustee:

<u>Year</u>	<u>Salary Per ORC</u>	<u>Salary Received</u>	<u>Overpayment</u>
2006	\$11,810	\$11,983.76	\$173.76

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003 (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Douglas Shaw, Township Trustee, Diana Russell, Fiscal Officer, and the Ohio Township Association Risk Management Authority, his bonding company, in the amount of \$173.76 and in favor of the General Fund.

The finding was repaid on October 2, 2007.

Officials' Response: This system program error has been resolved.

FINDING NUMBER 2006-004

Finding for Recovery Repaid Under Audit - Trustee Compensation

Ohio Rev. Code Section 505.24 sets the salary for Township Trustees based on the Township's budget. In 2005, the maximum Trustee salary for Township's having a budget between \$750,001 and \$1,500,000 was \$9,556 and for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,464. Based on this, the Trustees should have received the following salaries:

<u>Year</u>	<u>Budget Between</u>	<u>Amount</u>	<u>Months</u>	<u>Total</u>
2005	\$750,001 and \$1,500,000	\$9,556	9	\$7,167.00
	\$3,500,001 and \$6,000,000	\$11,464	3	<u>2,866.00</u>
				<u>\$10,033.00</u>

The Township was paying the employee share of Medicare contributions for all Trustees.

The payment of the employee share of Medicare resulted in compensation in excess of ORC limits as follows for Charles Yost, Trustee:

<u>Year</u>	<u>Salary Per ORC</u>	<u>Salary Received</u>	<u>Overpayment</u>
2005	\$10,033	\$10,180.65	\$147.65

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Charles Yost, Township Trustee, Diana Russell, Fiscal Officer, and the Ohio Township Association Risk Management Authority, his bonding company, in the amount of \$147.65 and in favor of the General Fund.

The finding was repaid on October 2, 2007.

Officials' Response: This system program error has been resolved.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-005

Finding for Recovery Repaid Under Audit - Trustee Compensation

Ohio Rev. Code Section 505.24 sets the salary for Township Trustees based on the Township's budget. In 2005, the maximum Trustee salary for Township's having a budget between \$750,001 and \$1,500,000 was \$9,556 and for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,464. In 2006, the maximum Trustee salary for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,810. Based on this, the Trustees should have received the following salaries:

<u>Year</u>	<u>Budget Between</u>	<u>Amount</u>	<u>Months</u>	<u>Total</u>
2005	\$750,001 and \$1,500,000	\$9,556	9	\$7,167.00
	\$3,500,001 and \$6,000,000	\$11,464	3	2,866.00
				\$10,033.00
2006	\$3,500,001 and \$6,000,000	\$11,810	12	\$11,810

The Township was paying the employee share of Medicare contributions for all Trustees.

The payment of the employee share of Medicare resulted in compensation in excess of ORC limits as follows for Gail Ellinger, Trustee:

<u>Year</u>	<u>Salary Per ORC</u>	<u>Salary Received</u>	<u>Overpayment</u>
2005	\$10,033	\$10,180.66	\$147.66
2006	\$11,810	\$11,983.76	\$173.76

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Gail Ellinger, Township Trustee, Diana Russell, Fiscal Officer, and the Ohio Township Association Risk Management Authority, their bonding company, in the amount of \$321.42 and in favor of the General Fund

The finding was repaid on October 1, 2007.

Officials' Response: This system program error has been resolved.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-006

Finding for Recovery Repaid Under Audit - Trustee Compensation

Ohio Rev. Code Section 505.24 sets the salary for Township Trustees based on the Township's budget. In 2005, the maximum Trustee salary for Township's having a budget between \$750,001 and \$1,500,000 was \$9,556 and for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,464. In 2006, the maximum Trustee salary for Township's having a budget between \$3,500,001 and \$6,000,000 was \$11,810. Based on this, the Trustees should have received the following salaries:

<u>Year</u>	<u>Budget Between</u>	<u>Amount</u>	<u>Months</u>	<u>Total</u>
2005	\$750,001 and \$1,500,000	\$9,556	9	\$7,167.00
	\$3,500,001 and \$6,000,000	\$11,464	3	2,866.00
				\$10,033.00
2006	\$3,500,001 and \$6,000,000	\$11,810	12	\$11,810

The Township was paying the employee share of Medicare contributions for all Trustees.

The payment of the employee share of Medicare resulted in compensation in excess of ORC limits as follows for Tim Claypool, Trustee:

<u>Year</u>	<u>Salary Per ORC</u>	<u>Salary Received</u>	<u>Overpayment</u>
2005	\$10,033	\$10,180.65	\$147.65
2006	\$11,810	\$11,983.76	\$173.76

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Timothy Claypool, Township Trustee, Diana Russell, Fiscal Officer, and the Ohio Township Association Risk Management Authority, their bonding company, in the amount of \$321.41 and in favor of the General Fund.

The finding was repaid on October 2, 2007.

Officials' Response: This system program error has been resolved.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 and 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Findings for Recovery for Overpayment of Trustee Salary	Yes	
2004-002	Findings for Recovery for Overpayment of Fiscal Officer Salary	Yes	



Mary Taylor, CPA
Auditor of State

HOCKING TOWNSHIP

FAIRFIELD 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 8, 2007**