



Mary Taylor, CPA
Auditor of State

**HAMER TOWNSHIP
HIGHLAND COUNTY**

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HIGHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamer Township
Highland County
4844 State Route 138
Hillsboro, Ohio 45133

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 Hamer Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2006 and 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 Government 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 Section 117.11(B) and 115.56 mandate 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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamer Township, Highland County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, and Fire District Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006 and 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

October 29, 2007

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

This discussion and analysis of Hamer Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 and 2005 are as follows:

In 2006, the Township's net assets decreased \$10,353 or 7% over 2005. This decrease was in large part due to the increased cost of hospitalization premiums during 2006 which increase approximately 7%. The fund most affected by the decrease in cash and cash equivalents in 2006 was the General Fund, which realized the greatest burden of increased costs related to hospitalization. In 2005, the Township's net assets increased \$18,541 or 14% as compared to 2004. This increase was in large part due to the Township receiving a larger estate settlement in 2005 as compared to 2004.

The Township's general receipts are primarily property and excise and license tax. During 2006 and 2005 these receipts represented 40% and 49% respectively of the total cash received for governmental activities. Property tax receipts for 2006 and 2005 changed very little compared to 2004 as property values showed only moderate increases. The Township's program receipts are primarily excise gas tax and permissive motor vehicle license tax. Excise tax receipts related to fuel sales increased \$8,968 or 12% in 2006 over 2005, and increased \$6,549 or 9% in 2005 over 2004. Permissive motor vehicle license tax levied by the county for 2006 and 2005 remained fairly consistent.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and excise taxes.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 and 2005 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	\$ 140,739	\$ 151,092
Total Assets	<u>\$ 140,739</u>	<u>\$ 151,092</u>
Net Assets		
Restricted for:		
Cemetery Bequest		
Nonexpendable	300	300
Road Maintenance	50,565	45,059
Fire Protection	25,476	18,993
Other Purposes	16,674	16,386
Unrestricted	<u>47,724</u>	<u>70,354</u>
Total Net Assets	<u>\$140,739</u>	<u>\$151,092</u>

As mentioned previously, net assets of governmental activities decreased \$10,353 or 7% during 2006. The primary reason contributing to the decrease in cash balances is as follows:

- In 2006, the Township's hospitalization premiums increased 7%.

Table 2 reflects the changes in net assets in 2006 and 2005.

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$1,360	\$1,500	(\$140)
Operating Grants and Contributions	94,545	88,628	5,917
Total Program Receipts	<u>95,905</u>	<u>90,128</u>	<u>5,777</u>
General Receipts:			
Property and Other Local Taxes	41,862	47,591	(5,729)
Grants and Entitlements Not Restricted to Specific Programs	17,727	36,064	(18,337)
Interest	5,364	1,099	4,265
Miscellaneous	39	2,132	(2,093)
Total General Receipts	<u>64,992</u>	<u>86,886</u>	<u>(21,894)</u>
Total Receipts	<u>160,897</u>	<u>177,014</u>	<u>(16,117)</u>
Disbursements:			
General Government	58,887	48,137	10,750
Public Safety	10,331	12,140	(1,809)
Public Works	93,375	89,136	4,239
Health	8,577	8,668	(91)
Capital Outlay	80	392	(312)
Total Disbursements	<u>171,250</u>	<u>158,473</u>	<u>12,777</u>
Increase (Decrease) in Net Assets	(10,353)	18,541	(28,894)
Net Assets, Beginning of Year	<u>151,092</u>	<u>132,551</u>	<u>18,541</u>
Net Assets, End of Year	<u><u>\$140,739</u></u>	<u><u>\$151,092</u></u>	<u><u>(\$10,353)</u></u>

In 2006, Program receipts represent 60% of total receipts. In 2005, Program receipts represent 51% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money. Increased gas prices during 2006 contributed to a \$5,917 or 7% increase over 2005.

In 2006, General receipts represent 40% of the Township's total receipts, and of this amount, 64% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (27%). In 2005, General receipts represent 49% of the Township's total receipts, and of this amount, 55% are local taxes. State and federal grants and entitlements, which decreased \$18,337 or 51% in 2006 due to a large estate tax settlement in 2005, make up the balance of the Township's general

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

receipts (41%). Other receipts in 2006 and 2005 are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of official's salaries and benefits, Township hall maintenance and utilities. The cost of hospitalization through Medical Mutual increased 7% during 2006. Public Safety is the costs of providing fire protection to the residents of the Township which is contracted on an annual basis with the City of Hillsboro Fire Department. Health costs are the property tax deductions to the county health department, and maintenance cost of the cemeteries. Public Works are the costs of maintaining the roads, which were greater in 2006 due to contract repair and paving work on Mt. Zion Road.

Governmental Activities

If you look at the Statement of Activities on page 10 and 19, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2006	2006	2005	2005
General Government	\$ 58,887	\$ (58,887)	\$ 48,137	\$ (48,137)
Public Safety	10,331	(10,331)	12,140	(12,140)
Public Works	93,375	1,170	89,136	(508)
Health	8,577	(7,217)	8,668	(7,168)
Capital Outlay	80	(80)	392	(392)
Miscellaneous	-	-	-	0
Total Expenses	\$ 171,250	\$ (75,345)	\$ 158,473	\$ (68,345)

The dependence upon property and excise tax receipts is apparent as over 78%, in 2006, and 87%, in 2005, of governmental activities are supported through these general receipts.

HAMER TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

The Township's Funds

In 2006, total governmental funds had receipts of \$160,897 and disbursements of \$171,250. In 2005, total governmental funds had receipts of \$177,014 and disbursements of \$158,473. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$13,559 as the result of a 7% increase in the cost of hospitalization during 2006.

The fund balance of the Gasoline Tax Fund increased \$8,537 due to increase in Gasoline Tax Fund intergovernmental receipts in 2006.

The fund balance of the Fire District Fund increased \$11,098 due to receipts being more than disbursements.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

General Fund receipts received in 2006 were \$7,983 greater than was budgeted and were \$5,957 more than was budgeted in 2005.

In 2006, final disbursements were budgeted at \$105,669, while actual disbursements were \$65,928. In 2005, final disbursements were budgeted at \$120,442, while actual disbursements were \$56,045. The Township kept spending below budgeted amounts as demonstrated by the reported variances, however, receipts failed to keep pace with disbursements resulting in a fund balance decrease in 2006 of \$22,630.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets under the cash basis of accounting.

Debt

The Township had no debt during the period January 1, 2005 through December 31, 2006.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local property taxes and excise taxes and have very little industry to support the tax base. The Township tries to pave at least one township road per year, which for 2006 and 2005, cost the Township approximately \$60,000 and \$46,500 respectively.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, legislative bodies, and management with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kim Walker, Fiscal Officer, Hamer Township, 3858 Rhoads Road, Hillsboro, Ohio 45133.

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$140,739
<i>Total Assets</i>	\$140,739
 Net Assets	
Restricted for:	
Permanent Fund Purpose	
Nonexpendable	300
Road Maintenance	50,565
Fire Protection	25,476
Other Purposes	16,674
Unrestricted	47,724
<i>Total Net Assets</i>	\$140,739

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$58,887	\$0	\$0	(\$58,887)
Public Safety	10,331	0	0	(10,331)
Public Works	93,375	0	94,545	1,170
Health	8,577	1,360	0	(7,217)
Capital Outlay	80	0	0	(80)
<i>Total Governmental Activities</i>	<u>\$171,250</u>	<u>\$1,360</u>	<u>\$94,545</u>	<u>(75,345)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		41,862
		Grants and Entitlements not Restricted to Specific Programs		17,727
		Interest		5,364
		Miscellaneous		39
		<i>Total General Receipts</i>		<u>64,992</u>
		Change in Net Assets		(10,353)
		<i>Net Assets Beginning of Year</i>		<u>151,092</u>
		<i>Net Assets End of Year</i>		<u>\$140,739</u>

See accompanying notes to the basic financial statements

HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Gas Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$47,724	\$50,565	\$25,476	\$16,974	\$140,739
<i>Total Assets</i>	<u>47,724</u>	<u>50,565</u>	<u>25,476</u>	<u>16,974</u>	<u>140,739</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	47,724	0	0	0	47,724
Special Revenue Funds	0	50,565	25,476	16,674	92,715
Permanent Fund	0	0	0	300	300
<i>Total Fund Balances</i>	<u>\$47,724</u>	<u>\$50,565</u>	<u>\$25,476</u>	<u>\$16,974</u>	<u>\$140,739</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Gas Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$24,987	\$0	\$14,654	\$2,221	\$41,862
Intergovernmental	15,241	86,201	2,160	8,670	112,272
Interest	3,031	1,832	0	501	5,364
Other	39	0	0	1,360	1,399
<i>Total Receipts</i>	<u>43,298</u>	<u>88,033</u>	<u>16,814</u>	<u>12,752</u>	<u>160,897</u>
Disbursements					
Current:					
General Government	58,887	0	0	0	58,887
Public Safety	0	0	10,331	0	10,331
Public Works	0	82,527	0	10,848	93,375
Health	6,961	0	0	1,616	8,577
Capital Outlay	80	0	0	0	80
<i>Total Disbursements</i>	<u>65,928</u>	<u>82,527</u>	<u>10,331</u>	<u>12,464</u>	<u>171,250</u>
<i>Net Change in Fund Balances</i>	(22,630)	5,506	6,483	288	(10,353)
<i>Fund Balances Beginning of Year</i>	<u>70,354</u>	<u>45,059</u>	<u>18,993</u>	<u>16,686</u>	<u>151,092</u>
<i>Fund Balances End of Year</i>	<u>\$47,724</u>	<u>\$50,565</u>	<u>\$25,476</u>	<u>\$16,974</u>	<u>\$140,739</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
Receipts				
Property and Other Local Taxes	\$22,400	\$22,400	\$24,987	\$2,587
Intergovernmental	12,415	12,415	15,241	2,826
Interest	500	500	3,031	2,531
Other	0	0	39	39
<i>Total receipts</i>	<u>35,315</u>	<u>35,315</u>	<u>43,298</u>	<u>7,983</u>
Disbursements				
Current:				
General Government	88,059	88,059	58,887	29,172
Health	15,610	15,610	6,961	8,649
Capital Outlay	2,000	2,000	80	1,920
<i>Total Disbursements</i>	<u>105,669</u>	<u>105,669</u>	<u>65,928</u>	<u>39,741</u>
<i>Net Change in Fund Balance</i>	(70,354)	(70,354)	(22,630)	47,724
<i>Fund Balance Beginning of Year</i>	<u>70,354</u>	<u>70,354</u>	<u>70,354</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$47,724</u>	<u>\$47,724</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GAS FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$75,015	\$75,015	\$86,201	\$11,186
Interest	150	150	1,832	1,682
<i>Total receipts</i>	<u>75,165</u>	<u>75,165</u>	<u>88,033</u>	<u>12,868</u>
Disbursements				
Current:				
Public Works	117,224	117,224	82,527	34,697
Capital Outlay	3,000	3,000	0	3,000
<i>Total Disbursements</i>	<u>120,224</u>	<u>120,224</u>	<u>82,527</u>	<u>37,697</u>
<i>Net Change in Fund Balance</i>	(45,059)	(45,059)	5,506	50,565
<i>Fund Balance Beginning of Year</i>	<u>45,059</u>	<u>45,059</u>	<u>45,059</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$50,565</u></u>	<u><u>\$50,565</u></u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$13,495	\$13,495	\$14,654	\$1,159
Intergovernmental	1,500	1,500	2,160	660
<i>Total receipts</i>	<u>14,995</u>	<u>14,995</u>	<u>16,814</u>	<u>1,819</u>
Disbursements				
Current:				
Public Safety	33,988	33,988	10,331	23,657
<i>Total Disbursements</i>	<u>33,988</u>	<u>33,988</u>	<u>10,331</u>	<u>23,657</u>
<i>Net Change in Fund Balance</i>	(18,993)	(18,993)	6,483	25,476
<i>Fund Balance Beginning of Year</i>	<u>18,993</u>	<u>18,993</u>	<u>18,993</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$25,476</u></u>	<u><u>\$25,476</u></u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,481</u>
Net Assets	
Held in Trust for Perpetual Cemetery Care	<u><u>\$20,481</u></u>

See accompanying notes to the basic financial statements

HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Private Purpose Trust
Additions	
Interest	\$898
Deductions	
Payments for Perpetual Care of Cemetery	750
Change in Net Assets	148
Net Assets - Beginning of Year	20,333
Net Assets - End of Year	\$20,481

See accompanying notes to the basic financial statements

HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$151,092
<i>Total Assets</i>	\$151,092
 Net Assets	
Restricted for:	
Permanent Fund Purpose	
Nonexpendable	300
Road Maintenance	45,059
Fire Protection	18,993
Other Purposes	16,386
Unrestricted	70,354
<i>Total Net Assets</i>	\$151,092

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF ACTIVITIES - 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	Governmental Activities
Governmental Activities				
General Government	\$48,137	\$0	\$0	(\$48,137)
Public Safety	12,140	0	0	(12,140)
Public Works	89,136	0	88,628	(508)
Health	8,668	1,500	0	(7,168)
Capital Outlay	392	0	0	(392)
<i>Total Governmental Activities</i>	<u>\$158,473</u>	<u>\$1,500</u>	<u>\$88,628</u>	<u>(68,345)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		47,591
		Grants and Entitlements not Restricted to Specific Programs		36,064
		Interest		1,099
		Miscellaneous		2,132
		<i>Total General Receipts</i>		<u>86,886</u>
		Change in Net Assets		18,541
		<i>Net Assets Beginning of Year</i>		<u>132,551</u>
		<i>Net Assets End of Year</i>		<u><u>\$151,092</u></u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Gas Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$70,354	\$45,059	\$18,993	\$16,686	\$151,092
<i>Total Assets</i>	<u>70,354</u>	<u>45,059</u>	<u>18,993</u>	<u>16,686</u>	<u>151,092</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	70,354	0	0	0	70,354
Special Revenue Funds	0	45,059	18,993	16,386	80,438
Permanent Fund	0	0	0	300	300
<i>Total Fund Balances</i>	<u>\$70,354</u>	<u>\$45,059</u>	<u>\$18,993</u>	<u>\$16,686</u>	<u>\$151,092</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Gas Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$25,642	\$0	\$15,050	\$2,279	\$42,971
Intergovernmental	38,721	77,927	1,705	10,959	129,312
Interest	746	144	0	209	1,099
Other	7	2,125	0	1,500	3,632
<i>Total Receipts</i>	<u>65,116</u>	<u>80,196</u>	<u>16,755</u>	<u>14,947</u>	<u>177,014</u>
Disbursements					
Current:					
General Government	48,137	0	0	0	48,137
Public Safety	0	0	12,140	0	12,140
Public Works	0	77,165	0	11,471	88,636
Health	7,516	0	0	1,652	9,168
Capital Outlay	392	0	0	0	392
<i>Total Disbursements</i>	<u>56,045</u>	<u>77,165</u>	<u>12,140</u>	<u>13,123</u>	<u>158,473</u>
<i>Net Change in Fund Balances</i>	9,071	3,031	4,615	1,824	18,541
<i>Fund Balances Beginning of Year</i>	<u>61,283</u>	<u>42,028</u>	<u>14,378</u>	<u>14,862</u>	<u>132,551</u>
<i>Fund Balances End of Year</i>	<u>\$70,354</u>	<u>\$45,059</u>	<u>\$18,993</u>	<u>\$16,686</u>	<u>\$151,092</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$23,130	\$23,130	\$25,642	\$2,512
Intergovernmental	12,169	35,829	38,721	2,892
Interest	200	200	746	546
Other	0	0	7	7
<i>Total receipts</i>	<u>35,499</u>	<u>59,159</u>	<u>65,116</u>	<u>5,957</u>
Disbursements				
Current:				
General Government	78,782	102,442	48,137	54,305
Health	16,000	16,000	7,516	8,484
Capital Outlay	2,000	2,000	392	1,608
<i>Total Disbursements</i>	<u>96,782</u>	<u>120,442</u>	<u>56,045</u>	<u>64,397</u>
<i>Net Change in Fund Balance</i>	(61,283)	(61,283)	9,071	70,354
<i>Fund Balance Beginning of Year</i>	<u>61,283</u>	<u>61,283</u>	<u>61,283</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$70,354</u>	<u>\$70,354</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GAS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$60,281	\$60,281	\$77,927	\$17,646
Interest	150	150	144	(6)
Other	0	0	2,125	2,125
<i>Total receipts</i>	<u>60,431</u>	<u>60,431</u>	<u>80,196</u>	<u>19,765</u>
Disbursements				
Current:				
Public Works	85,459	100,459	77,165	23,294
Capital Outlay	17,000	2,000	0	2,000
<i>Total Disbursements</i>	<u>102,459</u>	<u>102,459</u>	<u>77,165</u>	<u>25,294</u>
<i>Net Change in Fund Balance</i>	(42,028)	(42,028)	3,031	45,059
<i>Fund Balance Beginning of Year</i>	<u>42,028</u>	<u>42,028</u>	<u>42,028</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$45,059</u>	<u>\$45,059</u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$13,375	\$13,375	\$15,050	\$1,675
Intergovernmental	1,515	1,515	1,705	190
<i>Total receipts</i>	<u>14,890</u>	<u>14,890</u>	<u>16,755</u>	<u>1,865</u>
Disbursements				
Current:				
Public Safety	29,268	29,268	12,140	17,128
<i>Total Disbursements</i>	<u>29,268</u>	<u>29,268</u>	<u>12,140</u>	<u>17,128</u>
<i>Net Change in Fund Balance</i>	(14,378)	(14,378)	4,615	18,993
<i>Fund Balance Beginning of Year</i>	<u>14,378</u>	<u>14,378</u>	<u>14,378</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,993</u></u>	<u><u>\$18,993</u></u>

See accompanying notes to the basic financial statements

**HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	<u>Private Purpose Trust</u>
Assets	
Cash and Cash Equivalents	<u>\$20,333</u>
Net Assets	
Held in Trust for Perpetual Cemetery Care	<u><u>\$20,333</u></u>

See accompanying notes to the basic financial statements

HAMER TOWNSHIP
HIGHLAND COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Private Purpose Trust
Additions	
Interest	\$609
Deductions	
Payments for Perpetual Care of Cemetery	500
Change in Net Assets	109
Net Assets - Beginning of Year	20,224
Net Assets - End of Year	\$20,333

See accompanying notes to the basic financial statements

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 1 – Reporting Entity

The Hamer Township, Highland County, Ohio, (the Township) 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, road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the City of Hillsboro to provide fire protection services.

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

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 provided 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 amounts to the Township.

The Township has no component units.

C. Jointly Governed Organizations

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 2 – Summary of Significant Accounting Policies (continued)

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, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township has no business type activities.

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 is self-financing on a cash basis or draws 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.

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 funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund - 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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fire Levy Fund - This fund receives property tax money for providing fire protection for Township residents.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township's private purpose trust fund accounts for \$20,000 of non-expendable principle bequeathed to the Township from the will of Virginia Davis. The interest of which is to be used for the perpetual care of burial plots specified in the will.

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 cash basis of accounting. 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.

As a result of the use of this 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 resolution 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, department, and object level for all funds.

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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations resolution 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. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments have an original maturity of three months or less at the time of purchase and are therefore presented on financial statements as cash equivalents. 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 and 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

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 \$3,031 and during 2005 was \$746.

F. Restricted Net Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted Net assets represent \$93,015 of a total fund balance of \$140,739 in 2006 and \$80,738 of a total fund balance of \$151,092 in 2005.

G. 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 statements.

H. 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.

I. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 2 – Summary of Significant Accounting Policies (continued)

J. 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.

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.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the 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.

Note 4 – Compliance

During 2006 and 2005, the Township did not always certify the availability of funds before making commitments.

Note 5 – 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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no material encumbrances outstanding at year end.

Note 6 – 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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 6 – Deposits and Investments (continued)

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).

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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 6 – Deposits and Investments (continued)

Deposits

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 fiscal year end 2006, \$5,984 of the Township's bank balance of \$168,384 was exposed to custodial credit risk, and at the end of fiscal year end 2005, \$16,603 of the Township's bank balance of \$179,003 was exposed credit risk. These 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 7 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, 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.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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 years ended December 31, 2006 and 2005 were \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 7 – Property Taxes (Continued)

Real Property		
Residential	\$	5,975,790
Agricultural		4,429,650
Commercial/Industrial/Mineral		488,100
Tangible Personal Property		789,188
Public Utility		809,520
Total Assessed Value	\$	<u>12,492,248</u>

Note 8 – 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, 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 value. 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 2005 was \$1,682,589.

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

Note 8 – Risk Management (continued)

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.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004. (This is the latest information available)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

Note 9 – Defined Benefit Pension Plan

A. 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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 9 – Defined Benefit Pension Plan (continued)

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 were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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 \$4,990, \$4,806, and \$3,913 respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 10 - Postemployment Benefits

A. 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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 and 2005 local government employer contribution rate was 13.7 and 13.55 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal 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 6.5 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 premiums 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. 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.

HAMER TOWNSHIP
HIGHLAND COUNTY

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

Note 10 - Postemployment Benefits (Continued)

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 \$1,639. 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.

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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

Hamer Township
Highland County
4844 State Route 138
Hillsboro, Ohio 45133

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 Hamer Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 29, 2007 wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing 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.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted a matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 29, 2007.

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



Mary Taylor, CPA
Auditor of State

October 29, 2007

HAMER TOWNSHIP
HIGHLAND 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

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code, Section 5705.41(D), requires 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 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 subdivision's 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000, (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2006-001
(Continued)**

Thirteen Percent (13%), in both 2006 and 2005, of the purchases tested were initiated without obtaining the prior certification of the Fiscal Officer and were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's fund exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

No response was received from the officials



Mary Taylor, CPA
Auditor of State

HAMER TOWNSHIP

HIGHLAND 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 29, 2007**