

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2006 – DECEMBER 31, 2007

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Falls Township
P.O. Box 511
Zanesville, Ohio 43701

We have reviewed the *Independent Auditors' Report* of Falls Township, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Falls Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2008

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**FALLS TOWNSHIP
MUSKINGUM COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Falls Township
Muskingum County
P.O. Box 511
Zanesville, Ohio 43701

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of Falls Township, Muskingum County as of and for the years ended December 31, 2007 and 2006, which collectively comprised the Township's basic financial statements. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Township has prepared these financial statements and notes using the cash basis of accounting. 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-cash basis of the governmental activities, major funds and the aggregate remaining fund information of Falls Township, Muskingum County, as of December 31, 2007 and 2006, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2008, on our consideration of Falls Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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 Government 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
January 31, 2008

**FALLS TOWNSHIP, MUSKINGUM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

This discussion and analysis of the Falls Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Township's cash basis accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 and 2006 are as follows:

The net assets of the General Fund, MVL Fund, Gasoline Tax Fund and Cemetery Fund increased during 2007. The net assets of the Road and Bridge Fund decreased in 2007. Overall the total net assets of the Township increased by \$729,978 mainly due to increase in interest income and estate tax. The net assets of the Township for all funds increased in 2006. The increase in total was \$401,078 mainly due to estate tax increase.

The Township paved approximately 5.25 miles in 2007 and approximately 5.5 miles in 2006.

The Township contracted with the Falls Township Volunteer Fire Department for fire protection for its citizens in 2007 and 2006.

The Township has a very active Zoning Board and a Zoning Board of Appeals.

The Township contracted with Mr. John Albers to work on a JEDD agreement with the City of Zanesville for a sewer project on the West Pike. Also, Mr. Albers helped with the revenue sharing agreements with the City to ensure the Township received the correct tax allocations from the City. This was done in cooperation with the Muskingum County Auditor.

All Trustees and the Fiscal Officer attended seminars for the Ohio's Public Records Act per Marc Dann, Attorney General and ORC 149.43.

All Trustees, Fiscal Officer, and employees of the Township passed various courses in relation to FEMA.

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.

**FALLS TOWNSHIP, MUSKINGUM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

Report Components

The statement of net assets and statement of activities provide information about the cash activities of the Township as a whole. The statement of cash basis assets and fund balances, and the statement of cash receipts, disbursements and changes in fund cash balances, present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic 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.

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 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 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 Government as a Whole

The statements of net assets and statements of activities for 2007 and 2006 reflect how the Township did financially within the limitations of the cash basis of accounting. The statement of net assets present 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 programs services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash 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 tax base, the extent of the Township's debt obligations, 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 real estate taxes.

**FALLS TOWNSHIP, MUSKINGUM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

In the statement of net assets and the statement of activities, we divide the government into governmental activities. All of the Township's basic services are reported here, including road maintenance. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government'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.

Governmental Funds - All 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 for 2007 and 2006 are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the township reports on the cash basis.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on the cash basis:

Table 1	
NET ASSETS	
	<u>Governmental Activities</u>
	<u>2007</u> <u>2006</u>
Assets	
Cash	\$ 2,711,173 \$ 1,981,195
Total Assets	<u>2,711,173</u> <u>1,981,195</u>
Net Assets	
Restricted for:	
Other Purposes	984,132 871,977
Capital Projects	351 351
Unrestricted	<u>1,726,690</u> <u>1,108,867</u>
Total Net Assets	<u>\$ 2,711,173</u> <u>\$ 1,981,195</u>

**FALLS TOWNSHIP, MUSKINGUM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

Table 2 reflects the changes in net assets in 2007 and 2006

Table 2
CHANGES IN NET ASSETS

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Operating Grants	\$ 117,992	183,879
Charges for Services	26,287	17,851
Total Program Receipts	144,279	201,730
General Receipts;		
Property and Other Tax	691,737	640,005
Grants and Entitlements not Restricted	770,042	398,959
Interest	111,777	85,355
Miscellaneous	19,567	16,242
Total General Receipts	1,593,123	1,140,561
Total Receipts	1,737,402	1,342,291
Disbursements:		
General Government	305,093	373,820
Public Safety	212,214	199,543
Public Works	488,737	366,455
Health	1,380	1,395
Total Disbursements	1,007,424	941,213
Increase/(Decrease) In Net Assets	729,978	401,078
Net Assets, January 1	1,981,195	1,580,117
Net Assets, December 31	\$ 2,711,173	\$ 1,981,195

Program receipts represent 8% and 15% of total receipts for 2007 and 2006, respectively. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 92% and 85% of the Township's total receipts for 2007 and 2006, respectively. Local taxes represent 43% and 56% of the general receipts. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities.

**FALLS TOWNSHIP, MUSKINGUM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

The Government's Funds

Total governmental funds had receipts of \$1,737,402 and \$1,342,291 for 2007 and 2006 and disbursements of \$1,007,424 and \$941,213 for 2007 and 2006, respectively.

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 and disbursements. The most significant budgeted fund is the General Fund.

During 2007 and 2006, the Township made amendments to its appropriation budget and receipts budget to reflect changing circumstances. For both 2007 and 2006, actual receipts were greater than budgeted receipts.

Final budgeted disbursements for 2007 and 2006 were \$849,000 and \$798,173, respectively. Actual disbursements for 2007 and 2006 were \$300,681 and \$363,476, respectively. The Township kept spending close to budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt

As of December 31, 2007 and 2006, the Township had no debt.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Mr. Gary E. Hamilton, CPA, Fiscal Officer, P.O. Box 511, Zanesville, Ohio 43701.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
December 31, 2007**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,711,173</u>
Total Assets	<u>\$ 2,711,173</u>
NET ASSETS:	
Restricted for:	
Other Purposes	984,132
Capital Projects	351
Unrestricted	<u>1,726,690</u>
Total Net Assets	<u><u>\$ 2,711,173</u></u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Cash</u> <u>Disbursements</u>	<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
Governmental Activities:					
General Government	\$ 305,093	\$ -	\$ 3,737	\$ -	\$ (301,356)
Public Safety	212,214	-	-	-	(212,214)
Public Works	488,737	20,920	113,699	-	(354,118)
Health	1,380	-	-	-	(1,380)
Other	-	5,367	556	-	5,923
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	\$ 1,007,424	\$ 26,287	\$ 117,992	\$ -	\$ (863,145)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

General Receipts:

Property Taxes Levied for:

General Purposes 691,737

Grants and Entitlements not

Restricted to Specific Programs 770,042

Interest 111,777

Miscellaneous 19,567

Total General Receipts 1,593,123

Change in Net Assets 729,978

Net Assets Beginning of Year 1,981,195

Net Assets End of Year \$ 2,711,173

See notes to the basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
December 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 1,726,690	\$ 454,480	\$ 420,237	\$ 7,738	\$ 102,028	\$ 2,711,173
Total Assets	<u>\$ 1,726,690</u>	<u>\$ 454,480</u>	<u>\$ 420,237</u>	<u>\$ 7,738</u>	<u>\$ 102,028</u>	<u>\$ 2,711,173</u>
Fund Balances:						
Unreserved:						
General Fund	1,726,690	-	-	-	-	1,726,690
Special Revenue Fund	-	454,480	420,237	7,738	101,677	984,132
Capital Projects	-	-	-	-	351	351
Total Fund Balances	<u>\$ 1,726,690</u>	<u>\$ 454,480</u>	<u>\$ 420,237</u>	<u>\$ 7,738</u>	<u>\$ 102,028</u>	<u>\$ 2,711,173</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS						
Property and Other Local Taxes	\$ 92,823	\$ -	\$ 382,998	\$ 194,995	\$ 20,921	\$ 691,737
Licences, Permits and Fees	235	-	-	-	5,132	5,367
Intergovernmental	729,690	113,699	41,180	24,385	-	908,954
Earnings on Investments	82,689	23,078	-	-	6,010	111,777
Miscellaneous	13,067	-	6,500	-	-	19,567
Total Receipts	<u>918,504</u>	<u>136,777</u>	<u>430,678</u>	<u>219,380</u>	<u>32,063</u>	<u>1,737,402</u>
CASH DISBURSEMENTS:						
Current:						
General Government	286,927	-	5,000	7,166	6,000	305,093
Public Safety	-	-	-	212,214	-	212,214
Public Works	12,374	33,752	430,515	-	12,096	488,737
Health	1,380	-	-	-	-	1,380
Total Disbursements	<u>300,681</u>	<u>33,752</u>	<u>435,515</u>	<u>219,380</u>	<u>18,096</u>	<u>1,007,424</u>
Net Change in Cash Fund Balances	<u>617,823</u>	<u>103,025</u>	<u>(4,837)</u>	<u>-</u>	<u>13,967</u>	<u>729,978</u>
Cash Fund Balances Beginning of Year	<u>1,108,867</u>	<u>351,455</u>	<u>425,074</u>	<u>7,738</u>	<u>88,061</u>	<u>1,981,195</u>
Cash Fund Balances End of Year	<u><u>\$ 1,726,690</u></u>	<u><u>\$ 454,480</u></u>	<u><u>\$ 420,237</u></u>	<u><u>\$ 7,738</u></u>	<u><u>\$ 102,028</u></u>	<u><u>\$ 2,711,173</u></u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 85,583	\$ 85,583	\$ 92,823	\$ 7,240
Licenses, Permits and Fees	-	-	235	235
Intergovernmental	14,500	14,500	729,690	715,190
Earnings on Investments	70,000	70,000	82,689	12,689
Miscellaneous	5,000	5,000	13,067	8,067
Total Receipts	<u>175,083</u>	<u>175,083</u>	<u>918,504</u>	<u>743,421</u>
CASH DISBURSEMENTS:				
Current:				
General Government	791,000	791,000	286,927	504,073
Public Works	50,000	50,000	12,374	37,626
Health	3,000	3,000	1,380	1,620
Conservation-Recreation	5,000	5,000	-	5,000
	<u>849,000</u>	<u>849,000</u>	<u>300,681</u>	<u>548,319</u>
Excess of Receipts Over (Under) Disbursements	(673,917)	(673,917)	617,823	1,291,740
Other Financing Sources (Uses)				
Other Financing Uses	1,000	1,000	-	1,000
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Cash Fund balance	(674,917)	(674,917)	617,823	1,292,740
Cash Fund Balances Beginning of Year	<u>1,108,867</u>	<u>1,108,867</u>	<u>1,108,867</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 433,950</u>	<u>\$ 433,950</u>	<u>\$ 1,726,690</u>	<u>\$ 1,292,740</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
CASH RECEIPTS				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 113,699	\$ 33,699
Earnings on Investments	7,500	7,500	23,078	15,578
Total Receipts	<u>87,500</u>	<u>87,500</u>	<u>136,777</u>	<u>49,277</u>
CASH DISBURSEMENTS:				
Current:				
General Government	5,000	5,000	-	5,000
Public Works	195,000	195,000	33,752	161,248
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>33,752</u>	<u>166,248</u>
Net Change in Cash Fund balance	(112,500)	(112,500)	103,025	215,525
Cash Fund Balances Beginning of Year	<u>351,455</u>	<u>351,455</u>	<u>351,455</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 238,955</u>	<u>\$ 238,955</u>	<u>\$ 454,480</u>	<u>\$ 215,525</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 358,146	\$ 358,146	\$ 382,998	\$ 24,852
Intergovernmental	-	-	41,180	41,180
Miscellaneous	20,000	20,000	6,500	(13,500)
Total Receipts	<u>378,146</u>	<u>378,146</u>	<u>430,678</u>	<u>52,532</u>
CASH DISBURSEMENTS:				
Current:				
General Government	5,000	5,000	5,000	-
Public Works	595,000	595,000	430,515	164,485
Total Disbursements	<u>600,000</u>	<u>600,000</u>	<u>435,515</u>	<u>164,485</u>
Net Change in Cash Fund balance	(221,854)	(221,854)	(4,837)	217,017
Cash Fund Balances Beginning of Year	<u>425,074</u>	<u>425,074</u>	<u>425,074</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 203,220</u>	<u>\$ 203,220</u>	<u>\$ 420,237</u>	<u>\$ 217,017</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 202,900	\$ 202,900	\$ 194,995	\$ (7,905)
Intergovernmental	-	-	24,385	24,385
Total Receipts	<u>202,900</u>	<u>202,900</u>	<u>219,380</u>	<u>16,480</u>
CASH DISBURSEMENTS:				
Current:				
General Government	8,500	8,500	7,166	1,334
Public Safety	<u>201,500</u>	<u>201,500</u>	<u>212,214</u>	<u>(10,714)</u>
Total Disbursements	<u>210,000</u>	<u>210,000</u>	<u>219,380</u>	<u>(9,380)</u>
Net Change in Cash Fund balance	(7,100)	(7,100)	-	7,100
Cash Fund Balances Beginning of Year	<u>7,738</u>	<u>7,738</u>	<u>7,738</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 638</u>	<u>\$ 638</u>	<u>\$ 7,738</u>	<u>\$ 7,100</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
December 31, 2006**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,981,195</u>
Total Assets	<u>\$ 1,981,195</u>
NET ASSETS:	
Restricted for:	
Other Purposes	871,977
Capital Projects	351
Unrestricted	<u>1,108,867</u>
Total Net Assets	<u><u>\$ 1,981,195</u></u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Cash</u> <u>Disbursements</u>	<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
Governmental Activities:					
General Government	\$ 373,820	\$ -	\$ 68,532	\$ -	\$ (305,288)
Public Safety	199,543	-	-	-	(199,543)
Public Works	366,455	-	110,693	-	(255,762)
Health	1,395	3,500	-	-	2,105
Other	-	14,351	4,654	-	19,005
Total Governmental Activities	<u>\$ 941,213</u>	<u>\$ 17,851</u>	<u>\$ 183,879</u>	<u>\$ -</u>	<u>\$ (739,483)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	640,005
Grants and Entitlements not	
Restricted to Specific Programs	398,959
Interest	85,355
Miscellaneous	<u>16,242</u>
Total General Receipts	<u>1,140,561</u>
Change in Net Assets	401,078
Net Assets Beginning of Year	<u>1,580,117</u>
Net Assets End of Year	<u>\$ 1,981,195</u>

See notes to the basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2006**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 1,108,867	\$ 351,455	\$ 425,074	\$ 7,738	\$ 88,061	\$ 1,981,195
Total Assets	<u>\$ 1,108,867</u>	<u>\$ 351,455</u>	<u>\$ 425,074</u>	<u>\$ 7,738</u>	<u>\$ 88,061</u>	<u>\$ 1,981,195</u>
Fund Balances:						
Unreserved:						
General Fund	1,108,867	-	-	-	-	1,108,867
Special Revenue Fund	-	351,455	425,074	7,738	87,710	871,977
Capital Projects	-	-	-	-	351	351
Total Fund Balances	<u>\$ 1,108,867</u>	<u>\$ 351,455</u>	<u>\$ 425,074</u>	<u>\$ 7,738</u>	<u>\$ 88,061</u>	<u>\$ 1,981,195</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
December 31, 2006**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS						
Property and Other Local Taxes	\$ 80,558	\$ -	\$ 343,297	\$ 194,920	\$ 21,230	\$ 640,005
Licences, Permits and Fees	286	-	-	-	14,065	14,351
Intergovernmental	407,814	110,693	39,805	24,526	-	582,838
Earnings on Investments	74,322	10,025	-	-	1,008	85,355
Miscellaneous	11,602	-	4,640	-	3,500	19,742
Total Receipts	<u>574,582</u>	<u>120,718</u>	<u>387,742</u>	<u>219,446</u>	<u>39,803</u>	<u>1,342,291</u>
CASH DISBURSEMENTS:						
Current:						
General Government	344,182	-	5,512	17,626	6,500	373,820
Public Safety	-	-	-	199,543	-	199,543
Public Works	17,974	30,579	304,456	-	13,446	366,455
Health	1,320	-	-	-	75	1,395
Total Disbursements	<u>363,476</u>	<u>30,579</u>	<u>309,968</u>	<u>217,169</u>	<u>20,021</u>	<u>941,213</u>
Net Change in Cash Fund Balances	211,106	90,139	77,774	2,277	19,782	401,078
Cash Fund Balances Beginning of Year	<u>897,761</u>	<u>261,316</u>	<u>347,300</u>	<u>5,461</u>	<u>68,279</u>	<u>1,580,117</u>
Cash Fund Balances End of Year	<u>\$ 1,108,867</u>	<u>\$ 351,455</u>	<u>\$ 425,074</u>	<u>\$ 7,738</u>	<u>\$ 88,061</u>	<u>\$ 1,981,195</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
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>		<u>Actual</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 80,283	\$ 155,283	\$ 80,558	\$ (74,725)
Licenses, Permits and Fees	-	-	286	286
Intergovernmental	-	-	407,814	407,814
Earnings on Investments	-	-	74,322	74,322
Miscellaneous	75,000	-	11,602	11,602
Total Receipts	<u>155,283</u>	<u>155,283</u>	<u>574,582</u>	<u>419,299</u>
CASH DISBURSEMENTS:				
Current:				
General Government	750,173	750,173	344,182	405,991
Public Works	20,000	20,000	17,974	2,026
Health	3,000	3,000	1,320	1,680
Conservation-Recreation	25,000	25,000	-	25,000
Total Disbursements	<u>798,173</u>	<u>798,173</u>	<u>363,476</u>	<u>434,697</u>
Excess of Receipts Over (Under) Disbursements	(642,890)	(642,890)	211,106	853,996
Other Financing Sources (Uses)				
Other Financing Uses	51,827	51,827	-	51,827
Total Other Financing Sources (Uses)	<u>51,827</u>	<u>51,827</u>	<u>-</u>	<u>51,827</u>
Net Change in Cash Fund balance	(694,717)	(694,717)	211,106	905,823
Cash Fund Balances Beginning of Year	<u>897,761</u>	<u>897,761</u>	<u>897,761</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 203,044</u>	<u>\$ 203,044</u>	<u>\$ 1,108,867</u>	<u>\$ 905,823</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 110,693	\$ 35,693
Earnings on Investments	-	-	10,025	10,025
Total Receipts	<u>75,000</u>	<u>75,000</u>	<u>120,718</u>	<u>45,718</u>
CASH DISBURSEMENTS:				
Current:				
General Government	3,500	3,500	-	3,500
Public Works	196,500	196,500	30,579	165,921
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>30,579</u>	<u>169,421</u>
Net Change in Cash Fund balance	(125,000)	(125,000)	90,139	215,139
Cash Fund Balances Beginning of Year	<u>261,316</u>	<u>261,316</u>	<u>261,316</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 136,316</u>	<u>\$ 136,316</u>	<u>\$ 351,455</u>	<u>\$ 215,139</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE 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>		<u>(Negative)</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 356,813	\$ 376,813	\$ 343,297	\$ (33,516)
Intergovernmental	-	-	39,805	39,805
Miscellaneous	20,000	-	4,640	4,640
Total Receipts	<u>376,813</u>	<u>376,813</u>	<u>387,742</u>	<u>10,929</u>
CASH DISBURSEMENTS:				
Current:				
General Government	10,000	10,000	5,512	4,488
Public Works	540,000	540,000	304,456	235,544
Total Disbursements	<u>550,000</u>	<u>550,000</u>	<u>309,968</u>	<u>240,032</u>
Net Change in Cash Fund balance	(173,187)	(173,187)	77,774	250,961
Cash Fund Balances Beginning of Year	<u>347,300</u>	<u>347,300</u>	<u>347,300</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ 174,113</u>	<u>\$ 174,113</u>	<u>\$ 425,074</u>	<u>\$ 250,961</u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Property and Other Local Taxes	\$ 202,387	\$ 202,387	\$ 194,920	\$ (7,467)
Intergovernmental	-	-	24,526	24,526
Total Receipts	<u>202,387</u>	<u>202,387</u>	<u>219,446</u>	<u>17,059</u>
CASH DISBURSEMENTS:				
Current:				
General Government	20,000	20,000	17,626	2,374
Public Safety	190,000	190,000	199,543	(9,543)
Total Disbursements	<u>210,000</u>	<u>210,000</u>	<u>217,169</u>	<u>(7,169)</u>
Net Change in Cash Fund balance	(7,613)	(7,613)	2,277	9,890
Cash Fund Balances Beginning of Year	<u>5,461</u>	<u>5,461</u>	<u>5,461</u>	<u>-</u>
Cash Fund Balances End of Year	<u><u>\$ (2,152)</u></u>	<u><u>\$ (2,152)</u></u>	<u><u>\$ 7,738</u></u>	<u><u>\$ 9,890</u></u>

See notes to basic financial statements.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

The Township of Falls, Muskingum County, 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 and a publicly elected 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.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Falls Township Volunteer Fire Department to provide fire services.

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.

Falls Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interest in joint ventures.

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is: Public Entity Risk Pool: Ohio Township Association Risk Management Authority (OTARMA). OTARMA provides property, casualty and liability coverage.

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 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, in which case GASB prevails. Following are more of the Township's accounting policies.

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 distinguish between those activities or 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service. The Township has no business-type activities.

The statement of net assets present 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 programs 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 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 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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 divided into one category: governmental.

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 for 2007 and 2006 are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District 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. The Road and Bridge Fund is used for road and bridge maintenance. The Gasoline Tax Fund is used for the maintenance and up keep of roads. The Fire District Fund is used to account monies received and disbursed for fire contracts. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Basis of Accounting

The Township's financial statements are prepared using the 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. There were no modifications having substantial support.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities (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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

All funds are legally required to be budgeted and appropriated (except certain agency funds). 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 set 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 in the original budget 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 certificate 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.

Cash and Investments

To improve cash management, cash received by the Township is deposited into a checking and savings account which earns 5.377 percent interest. In 2007 and 2006, interest credited to the General Fund was \$82,689 and \$74,322, respectively.

Restricted Assets

Cash and cash equivalents 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. Amounts restricted for other purposes represents special revenue funds restricted to a specific use.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

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 gasoline tax receipts used for the upkeep of Township roads and bridges, real estate tax used for fire protection, capital projects funds are used for improvements in the Township.

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.

Fund Balance Reserve

The Township may reserve any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township has no reserves as of December 31, 2007 and 2006. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

Accumulated Leave

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide statements, transfers within governmental activities are eliminated.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last audit period the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This audit period the Township has implemented the cash basis of accounting. 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. There was no restatement of fund equity due to this change.

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 Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances at year-end for 2007 and 2006, respectively.

5. DEPOSITS

Monies held by the Township are classified by State 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, including negotiable order of withdrawal (NOW) accounts.

Inactive deposits are public deposits that the Township has 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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS (Continued)

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 issuance 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 obligation 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 obligation 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.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. The Huntington Bank is the financial institution for Falls Township.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS (Continued)

The Township did not have any undeposited cash on hand for 2007 and 2006.

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 the possession of an outside party. At year ended December 31, 2007, \$2,649,854 of the Township's bank balance of \$2,749,854 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. At year ended December 31, 2006, \$1,913,143 of the Township's bank balance of \$2,013,143 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.

6. 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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

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.

Beginning in 2005, The Travelers Indemnity Company 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 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 township.

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 and 2005, the latest information available.

Casualty Coverage	2006	2005
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>
Property Coverage	2006	2005
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,450,031)
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Townships's share of these unpaid claims collectible in future years is approximately \$13,138. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

Based on discussion with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2005	\$7,711
2006	8,221
2007	6,569

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

7. 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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (Continued)

Post Employment Benefits

Ohio Public Employees Retirement System

For the years ended December 31, 2007 and 2006, the members in the traditional plan, were required to contribute 9.5 and 9.0, percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 and 2006 was 13.85 percent and 13.70 percent, respectively. 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, 2007, 2006, and 2005 were \$22,613, \$20,838, and \$20,096, respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 were \$22,613 made by the Township and \$15,511 made by the plan members.

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. 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 portion of employer contributions in 2006, for all employees, allocated to health care was 4.5 percent.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 percent and 6 percent annually for the next nine years and 4 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. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits was \$7,347 and \$6,844, respectively. 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. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 circumstance, State statute permits alternate payment dates to be established.

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

Tangible personal property tax is assessed by the property owners, who must be file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Township.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$3.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$ 145,382,830
Commercial/Industrial/Mineral	23,510,030
Public Utility Property	
Real	-
Personal	10,517,610
Tangible Personal Property	7,123,780
Total Assessed Value	<u>\$ 186,534,250</u>

9. COMPLIANCE AND ACCOUNTABILITY

Section 5705.38(C), Ohio Revised Code requires that appropriation measures shall be set forth separately the amounts appropriated for each office, department, and division, and within each, the amount for personal services. The Township posts its appropriations to the accounting system in this manner but the minutes say the appropriations are approved at the fund level. The Township should, in the minutes, approve the appropriations at the appropriate level.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Falls Township
Muskingum County
P.O. Box 511
Zanesville, Ohio 43701

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Falls Township, Muskingum County, Ohio, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated January 31, 2008 wherein we noted the Township followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Falls Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the 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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2007-01 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we have reported to management in a separate letter dated January 31, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Falls Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items 2007-01 and 2007-02. Also, we noted certain immaterial instances of noncompliance that we have reported to the management of Falls Township in a separate letter dated January 31, 2008.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
January 31, 2008

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-01 NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Revised Code Section 5705.40 states, in part, that a subdivision may amend or supplement their appropriation measurer provided the entity complies with the same provisions of the law as are used in making the original appropriation.

The Township posted appropriation amendments throughout the audit period. However, these amendments were not approved by the Board of Trustees in the minutes, nor were they certified to the County Auditor. The following table compares approved appropriations to those posted to the accounting system.

<u>Year</u>	<u>Fund</u>	<u>Appropriations Posted to System</u>	<u>Approved Appropriations</u>	<u>Variance</u>
2007	Fire District	\$ 221,000	\$ 210,000	\$ 11,000
2006	MVL Tax	20,000	30,000	(10,000)
2006	Fire District	221,000	203,000	18,000

We recommend the Township management review budgetary procedures for amending appropriations, document the Trustees approval of all appropriation amendments in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. These amendments should not be posted until all required approval is obtained. The accompanying budgetary presentation includes only appropriations approved by the Trustees.

Client Response: We agree and we will monitor our approval for amendments.

FINDING NUMBER 2007-02 NONCOMPLIANCE

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. The Fire District Fund had expenditures greater than the approved appropriations in 2007 and 2006 in the amount of \$9,380 and \$7,169, respectively.

We recommend the Township not make payments that would exceed appropriations. The Township should compare disbursements with appropriations on a monthly basis and take needed action to ensure all disbursements have been appropriated.

Client Response: We agree with finding and will monitor budgetary expenditures with appropriations.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-01	ORC 5705.40 Appropriation changes not properly approved	No	Not Corrected: Stated as Finding Number 2007-01 in current report
2005-02	ORC 5705.41(B) Expenditures greater than appropriations	No	Not Corrected: Stated as Finding Number 2007-02 in current report



Mary Taylor, CPA
Auditor of State

FALLS TOWNSHIP

MUSKINGUM 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
APRIL 29, 2008**