

**FALLS TOWNSHIP
HOCKING COUNTY
Regular Audit
December 31, 2007 and 2006**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Falls Township
14370 State Rt. 93
South Logan, Ohio 43138

We have reviewed the *Independent Accountants' Report* of Falls Township, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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

May 2, 2008

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**FALLS TOWNSHIP
HOCKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Managements Discussion and Analysis	3
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2007	9
Statement of Activities – Cash Basis For the Year Ended December 31, 2007	10
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2007	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2007	12
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – General Fund For the Year Ended December 31, 2007	13
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Gasoline Tax Fund For the Year Ended December 31, 2007	14
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Road and Bridge Fund For the Year Ended December 31, 2007	15
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Special Levy Fund For the Year Ended December 31, 2007	16
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2006	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2006	18
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2006	19
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006	20

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**FALLS TOWNSHIP
HOCKING COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – General Fund For the Year Ended December 31, 2006	21
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Gasoline Tax Fund For the Year Ended December 31, 2006	22
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Road and Bridge Fund For the Year Ended December 31, 2006	23
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) – Special Levy Fire Fund For the Year Ended December 31, 2006	24
Notes to the Financial Statements	25
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings	37

Perry & Associates
Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT

March 14, 2008

Falls Township
Hocking County
14370 State Rte 93 South
Logan, Ohio 43138

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 **Falls Township, Hocking County, Ohio**, (the Township) as of and for the years ended December 31, 2007 and 2006, 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 an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

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 Falls Township, Hocking County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge and Special Levy Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

Falls Township
Hocking County
Independent Accountants' Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

Falls Township, Hocking County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

This discussion and analysis of 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. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$43,221 or 30 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General fund, which realized the greatest burden of decreased costs; however, cost decreases affected most funds.

The Township's largest general receipts are primarily property taxes, local government revenue and bed taxes. These receipts represented respectively, 43%, 18% and 35% of the total cash received for the activities during the year. Property taxes, local government revenue and bed taxes for 2007 increased compared to 2006 by 8%, 16% and 18% respectively as tourism has increases and local funds have leveled off.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$75,974, or 60 percent a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest burden of decreased costs; however, cost decreased affected most funds.

The Township's largest general receipts are primarily property taxes, local government revenue and bed taxes. These receipts represented respectively, 51%, 9% and 17% of the total cash received for the activities during the year. Property and income tax receipts for 2006 changed very little compared to 2005 as development within the Township has slowed.

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.

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.

Falls Township, Hocking County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

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 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity 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 and infrastructure, 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 tax.

Activities of the Township are listed in the statement of net assets and statement of activities.

Governmental Activities - The Township's basic services are reported here. Gasoline tax, along with property tax and other tax, finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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.

Governmental Funds - 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 Fund, Road and Bridge Fund and Special Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Falls Township, Hocking County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 and 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$246,966	\$203,745	\$127,771
Total Assets	\$246,966	\$203,745	\$127,771
Net Assets			
Restricted for:			
Other Purposes	139,145	139,820	80,152
Unrestricted	107,821	63,925	47,619
Total Net Assets	\$246,966	\$203,745	\$127,771

As mentioned previously, net assets of governmental activities increased \$43,321 or 30 percent during 2007 and \$75,975 or 60 percent in 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated increase in local tax receipts. Over the last five years, new construction has resulted in increases in assessed valuation averaging over \$116,936
- Small increases in salaries ranging from 1 to 2 percent on current negotiated agreements.
- The Township's roads were in better condition and did not need extensive repairs from preceding years.
- Health care premiums increased \$13,809 in 2006 from 2005.

Table 2 reflects the changes in net assets in 2007, 2006 and 2005 for governmental activities.

Falls Township, Hocking County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services	\$ 5,600	\$ 3,250	\$ 9,540
Operating Grants and Contributions	\$ 136,658	\$ 125,635	\$ 129,242
Total Program Receipts	<u>142,258</u>	<u>128,885</u>	<u>138,782</u>
General Receipts:			
Property and Other Local Taxes	470,679	429,142	368,836
Grants and Entitlements Not Restricted to Specific Programs	95,733	71,274	95,097
Notes Issued	-	24,750	-
Interest	11,478	2,490	2,154
Miscellaneous	11,436	633	5,440
Total General Receipts	<u>589,326</u>	<u>528,289</u>	<u>471,527</u>
Total Receipts	<u>731,584</u>	<u>657,174</u>	<u>610,309</u>
Disbursements:			
General Government	200,833	193,363	170,957
Public Safety	53,455	51,040	65,633
Public Works	349,773	268,048	376,808
Health	18,359	14,328	16,650
Capital Outlay	48,631	43,001	15,783
Principal Retirement	15,513	10,563	16,328
Interest and Fiscal Charges	1,799	857	2,283
Total Disbursements	<u>688,363</u>	<u>581,200</u>	<u>664,442</u>
Increase (Decrease) in Net Assets	43,221	75,974	(54,133)
Net Assets, January 1	<u>203,745</u>	<u>127,771</u>	<u>181,904</u>
Net Assets, December 31	<u>\$246,966</u>	<u>\$203,745</u>	<u>\$127,771</u>

Program receipts represent only 19 percent in 2007 and 20 percent in 2006 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 81 percent in 2007 and 80 percent in 2006 of the Township's total receipts, and of this amount, over 59 percent in 2007 and 61 percent in 2006 are property and local taxes. State and federal grants and entitlements make up 21 percent in 2007 and 13 percent in 2006 of the balance of the Township's general receipts. Other receipts 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 payroll costs of the Trustees and Fiscal Officer. These costs do not represent direct services to residents.

Falls Township, Hocking County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2007 and December 31, 2006
 Unaudited

Public Safety is the costs of emergency medical and fire protection; Public Works are the cost of repairing and maintaining Township roads; Health is the cost of maintaining the cemeteries.

Governmental Activities

If you look at the "Statement of Activities- Cash Basis" which is attached, 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 three 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 of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006	2005	2005
General Government	\$200,833	(\$200,833)	\$193,363	(\$193,363)	\$170,957	(\$170,957)
Public Safety	53,455	(53,455)	51,040	(51,040)	65,633	(65,633)
Public Works	349,773	(213,115)	268,048	(142,413)	376,808	(247,566)
Health	18,359	(10,984)	14,328	(10,778)	16,650	(7,110)
Capital Outlay	48,631	(48,631)	43,001	(43,001)	15,783	(15,783)
Principal Retirement	15,513	(15,513)	10,563	(10,563)	16,328	(16,328)
Interest and Fiscal Charges	1,799	(1,799)	857	(857)	2,283	(2,283)
Total Expenses	\$688,363	(\$544,330)	\$581,200	(\$452,015)	\$664,442	(\$525,660)

The dependence upon property and other local tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts.

The Township's Funds

During 2007 total governmental funds had receipts of \$731,584 and disbursements of \$688,363. The greatest change within the governmental funds occurred within the General Fund. The General Fund increased \$43,896 as the result of increased bed tax receipts and local government funds.

General Fund receipts were \$43,896 over disbursements indicative that the General Fund is in a positive spending situation. It was a recommendation of the administration that the township should stand pat for a year, watch the spending and see how 2008 turns out.

During 2006 total governmental funds had receipts of \$657,174 and disbursements of \$581,200. The greatest change within the governmental funds occurred within the General Fund. The General Fund increased \$16,306 as the result of increased bed tax receipts.

General Fund receipts were \$16,306 over disbursements indicative that the General Fund is in a positive spending situation. It was a recommendation of the administration that the township should stand pat for a year incase of unexpected emergencies and see what 2007 brings.

Falls Township, Hocking County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

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.

During 2007 and 2006, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts. The difference between final budgeted receipts and actual receipts was not significant.

Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$43,221 for 2007 and \$75,974 in 2006.

Capital Assets and Debt Administration

Capital Assets

The Township currently keeps track of its capital assets on an inventory. The Township has acquired a software package to accomplish this task and is in the process of entering the necessary information.

Debt

At December 31, 2007, the Township's outstanding debt was \$19,800 to finance the purchase of a trac hoe. The note is collateralized solely by the trac hoe. The township makes payments on an annual basis.

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 taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2008; therefore, the administration implemented a strategy to delay the deficit. This plan became effective for 2008. We reviewed our sources of revenue and determined the increases were unlikely. We then reviewed the disbursement history of the Township. We have reduce road repairs and maintenance and have also reduced staffing levels in areas where we felt the least impact on services. All departments have been asked to reduce their spending for supplies by 10 – 20 percent.

Contacting the Township'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 Rudolph Rempel, Fiscal Officer, Falls Township, 14370 State Route 93 South, Logan, OH 43138.

Falls Township, Hocking County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 246,966</u>
<i>Total Assets</i>	<u><u>246,966</u></u>
Net Assets	
Restricted for:	
Other Purposes	139,145
Unrestricted	<u>107,821</u>
<i>Total Net Assets</i>	<u><u>\$ 246,966</u></u>

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

Falls Township, Hocking County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 200,833	\$ -	\$ -	\$ (200,833)
Public Safety	53,455	-	-	(53,455)
Public Works	349,773	-	136,658	(213,115)
Health	18,359	5,600	-	(12,759)
Capital Outlay	48,631	-	-	(48,631)
Debt Service:				
Principal	15,513	-	-	(15,513)
Interest	1,799	-	-	(1,799)
<i>Total Governmental Activities</i>	<u>\$ 688,363</u>	<u>\$ 5,600</u>	<u>\$ 136,658</u>	<u>\$ (546,105)</u>
		General Receipts		
		Property Taxes	345,195	
		Other Taxes	125,484	
		Grants and Entitlements not Restricted to Specific Programs	95,733	
		Interest	11,478	
		Miscellaneous	11,436	
		<i>Total General Receipts</i>	<u>589,326</u>	
		Change in Net Assets		43,221
		<i>Net Assets Beginning of Year</i>		203,745
		<i>Net Assets End of Year</i>		\$ 246,966

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

Falls Township, Hocking County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	Special Levy Fire	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 107,821	\$ 17,077	\$ 22,464	\$ 90,768	\$ 8,836	\$ 246,966
<i>Total Assets</i>	<u>107,821</u>	<u>17,077</u>	<u>22,464</u>	<u>90,768</u>	<u>8,836</u>	<u>246,966</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	2,257	1,137	5,265	-	408	9,067
Unreserved:						
General Fund	105,564	-	-	-	-	105,564
Special Revenue Funds	-	15,940	17,199	90,768	8,428	132,335
<i>Total Fund Balances</i>	<u>\$ 107,821</u>	<u>\$ 17,077</u>	<u>\$ 22,464</u>	<u>\$ 90,768</u>	<u>\$ 8,836</u>	<u>\$ 246,966</u>

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

Falls Township, Hocking County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road & Bridge	Special Levy Fire	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 161,560	\$ -	\$ 200,213	\$ 75,590	\$ -	\$ 437,363
Licenses, Permits and Fees	-	-	-	-	5,600	5,600
Intergovernmental	99,235	104,466	21,828	7,986	22,192	255,707
Special Assessments	-	-	-	-	10,000	10,000
Interest	10,925	350	-	-	203	11,478
Miscellaneous	-	1,446	6,383	-	1,775	9,604
<i>Total Receipts</i>	<u>271,720</u>	<u>106,262</u>	<u>228,424</u>	<u>83,576</u>	<u>39,770</u>	<u>729,752</u>
Disbursements						
Current:						
General Government	198,680	-	-	2,153	-	200,833
Public Safety	-	-	-	53,455	-	53,455
Public Works	-	90,485	235,539	-	23,749	349,773
Health	11,300	-	-	-	7,059	18,359
Capital Outlay	19,676	6,785	18,670	-	3,500	48,631
Debt Service:						
Principal Retirement	-	7,678	4,950	-	2,885	15,513
Interest and Fiscal Charges	-	304	1,380	-	115	1,799
<i>Total Disbursements</i>	<u>229,656</u>	<u>105,252</u>	<u>260,539</u>	<u>55,608</u>	<u>37,308</u>	<u>688,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42,064</u>	<u>1,010</u>	<u>(32,115)</u>	<u>27,968</u>	<u>2,462</u>	<u>41,389</u>
Other Financing Sources (Uses)						
Other Financing Sources	1,832	-	-	-	-	1,832
<i>Total Other Financing Sources (Uses)</i>	1,832	-	-	-	-	1,832
<i>Net Change in Fund Balances</i>	43,896	1,010	(32,115)	27,968	2,462	43,221
<i>Fund Balances Beginning of Year</i>	<u>63,925</u>	<u>16,066</u>	<u>54,579</u>	<u>62,801</u>	<u>6,374</u>	<u>203,745</u>
<i>Fund Balances End of Year</i>	<u>\$ 107,821</u>	<u>\$ 17,076</u>	<u>\$ 22,464</u>	<u>\$ 90,769</u>	<u>\$ 8,836</u>	<u>\$ 246,966</u>

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

Falls Township, Hocking County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 143,700	\$ 143,700	\$ 161,560	\$ 17,860
Intergovernmental	68,625	68,625	99,235	30,610
Interest	2,400	2,400	10,925	8,525
<i>Total receipts</i>	<u>214,725</u>	<u>214,725</u>	<u>271,720</u>	<u>56,995</u>
Disbursements				
Current:				
General Government	227,267	227,267	198,680	28,587
Health	11,850	11,850	11,300	550
Capital Outlay	23,100	23,100	19,676	3,424
<i>Total Disbursements</i>	<u>262,217</u>	<u>262,217</u>	<u>229,656</u>	<u>32,561</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,492)</u>	<u>(47,492)</u>	<u>42,064</u>	<u>89,556</u>
Other Financing Sources (Uses)				
Notes Issued	-	-	-	-
Transfers In	100	100	-	(100)
Advances In	100	100	-	(100)
Other Financing Sources	200	200	1,832	1,632
<i>Total Other Financing Sources (Uses)</i>	<u>400</u>	<u>400</u>	<u>1,832</u>	<u>1,432</u>
<i>Net Change in Fund Balance</i>	(47,092)	(47,092)	43,896	90,988
<i>Fund Balance Beginning of Year</i>	<u>63,925</u>	<u>63,925</u>	<u>63,925</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 16,833</u>	<u>\$ 16,833</u>	<u>\$ 107,821</u>	<u>\$ 90,988</u>

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

Falls Township, Hocking County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$ 95,000	\$ 95,000	\$ 104,466	\$ 9,466
Interest	125	125	350	225
Miscellaneous	50	50	1,446	1,396
<i>Total receipts</i>	<u>95,175</u>	<u>95,175</u>	<u>106,262</u>	<u>11,087</u>
Disbursements				
Current:				
Public Works	100,618	100,618	90,485	10,133
Capital Outlay	12,000	12,000	6,785	5,215
Debt Service:				
Principal Retirement	-	-	7,678	(7,678)
Interest and Fiscal Charges	-	-	304	(304)
<i>Total Disbursements</i>	<u>112,618</u>	<u>112,618</u>	<u>105,252</u>	<u>7,366</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,443)</u>	<u>(17,443)</u>	<u>1,010</u>	<u>18,453</u>
Other Financing Sources (Uses)				
Transfers In	2,400	2,400	-	(2,400)
Advances In	100	100	-	(100)
<i>Total Other Financing Sources (Uses)</i>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
<i>Net Change in Fund Balance</i>	(14,943)	(14,943)	1,010	15,953
<i>Fund Balance Beginning of Year</i>	<u>16,066</u>	<u>16,066</u>	<u>16,066</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,123</u>	<u>\$ 1,123</u>	<u>\$ 17,076</u>	<u>\$ 15,953</u>

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

Falls Township, Hocking County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 189,250	\$ 189,250	\$ 200,213	\$ 10,963
Intergovernmental	25,000	25,000	21,828	(3,172)
Miscellaneous	3,000	3,000	6,383	3,383
<i>Total receipts</i>	<u>217,250</u>	<u>217,250</u>	<u>228,424</u>	<u>11,174</u>
Disbursements				
Current:				
Public Works	253,766	253,766	235,539	18,227
Capital Outlay	25,000	25,000	18,670	6,330
Debt Service:				
Principal Retirement	-	-	4,950	(4,950)
Interest and Fiscal Charges	-	-	1,380	(1,380)
<i>Total Disbursements</i>	<u>278,766</u>	<u>278,766</u>	<u>260,539</u>	<u>18,227</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(61,516)</u>	<u>(61,516)</u>	<u>(32,115)</u>	<u>29,401</u>
Other Financing Sources (Uses)				
Transfers In	7,300	7,300	-	(7,300)
<i>Total Other Financing Sources (Uses)</i>	<u>7,300</u>	<u>7,300</u>	<u>-</u>	<u>(7,300)</u>
<i>Net Change in Fund Balance</i>	(54,216)	(54,216)	(32,115)	22,101
<i>Fund Balance Beginning of Year</i>	<u>54,579</u>	<u>54,579</u>	<u>54,579</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 363</u>	<u>\$ 363</u>	<u>\$ 22,464</u>	<u>\$ 22,101</u>

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

Falls Township, Hocking County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 70,420	\$ 70,420	\$ 75,590	\$ 5,170
Intergovernmental	9,000	9,000	7,986	(1,014)
<i>Total receipts</i>	<u>79,420</u>	<u>79,420</u>	<u>83,576</u>	<u>4,156</u>
Disbursements				
Current:				
General Government	2,200	2,200	2,153	47
Public Safety	139,821	139,821	53,455	86,366
<i>Total Disbursements</i>	<u>142,021</u>	<u>142,021</u>	<u>55,608</u>	<u>86,413</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(62,601)</u>	<u>(62,601)</u>	<u>27,968</u>	<u>90,569</u>
Other Financing Sources (Uses)				
Transfers Out	(200)	(200)	-	200
<i>Total Other Financing Sources (Uses)</i>	<u>(200)</u>	<u>(200)</u>	<u>-</u>	<u>200</u>
<i>Net Change in Fund Balance</i>	(62,801)	(62,801)	27,968	90,769
<i>Fund Balance Beginning of Year</i>	<u>62,801</u>	<u>62,801</u>	<u>62,801</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,769</u>	<u>\$ 90,769</u>

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

Falls Township, Hocking County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 199,745
Investments	<u>4,000</u>
<i>Total Assets</i>	<u><u>203,745</u></u>
Net Assets	
Restricted for:	
Other Purposes	139,820
Unrestricted	<u>63,925</u>
<i>Total Net Assets</i>	<u><u>\$ 203,745</u></u>

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

Falls Township, Hocking 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	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 193,363	\$ -	\$ -	\$ (193,363)
Public Safety	51,040	-	-	(51,040)
Public Works	268,048	-	125,635	(142,413)
Health	14,328	3,250	-	(11,078)
Capital Outlay	43,001	-	-	(43,001)
Debt Service:				
Principal	10,563	-	-	(10,563)
Interest	857	-	-	(857)
<i>Total Governmental Activities</i>	<u>\$ 581,200</u>	<u>\$ 3,250</u>	<u>\$ 125,635</u>	<u>\$ (452,315)</u>
		General Receipts		
		Property Taxes	322,771	
		Other Taxes	106,371	
		Grants and Entitlements not Restricted to Specific Programs	71,274	
		Notes Issued	24,750	
		Interest	2,490	
		Miscellaneous	633	
		<i>Total General Receipts</i>	<u>528,289</u>	
		Change in Net Assets		<u>75,974</u>
		<i>Net Assets Beginning of Year</i>		<u>127,771</u>
		<i>Net Assets End of Year</i>		<u>\$ 203,745</u>

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

Falls Township, Hocking County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road & Bridge	Special Levy Fire	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 63,925	\$ 16,066	\$ 54,579	\$ 62,801	\$ 2,374	\$ 199,745
Investments	-	-	-	-	4,000	4,000
<i>Total Assets</i>	<u>63,925</u>	<u>16,066</u>	<u>54,579</u>	<u>62,801</u>	<u>6,374</u>	<u>203,745</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	16,933	1,122	362	-	801	19,218
Unreserved:						
General Fund	46,992	-	-	-	-	46,992
Special Revenue Funds	-	14,944	54,217	62,801	5,573	137,535
<i>Total Fund Balances</i>	<u>\$ 63,925</u>	<u>\$ 16,066</u>	<u>\$ 54,579</u>	<u>\$ 62,801</u>	<u>\$ 6,374</u>	<u>\$ 203,745</u>

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

Falls Township, Hocking County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road & Bridge	Special Levy Fire	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 140,698	\$ -	\$ 185,265	\$ 69,608	\$ -	\$ 395,571
Licenses, Permits and Fees	-	-	-	-	3,250	3,250
Intergovernmental	74,847	93,098	21,939	8,059	22,537	220,480
Special Assessments	-	-	-	-	10,000	10,000
Interest	2,341	117	-	-	32	2,490
Miscellaneous	-	-	-	-	300	300
<i>Total Receipts</i>	<u>217,886</u>	<u>93,215</u>	<u>207,204</u>	<u>77,667</u>	<u>36,119</u>	<u>632,091</u>
Disbursements						
Current:						
General Government	191,465	-	-	1,898	-	193,363
Public Safety	-	-	-	51,040	-	51,040
Public Works	-	68,277	172,367	-	27,404	268,048
Health	10,048	-	-	-	4,280	14,328
Capital Outlay	400	3,788	36,773	-	2,040	43,001
Debt Service:						
Principal Retirement	-	6,866	-	-	3,697	10,563
Interest and Fiscal Charges	-	554	-	-	303	857
<i>Total Disbursements</i>	<u>201,913</u>	<u>79,485</u>	<u>209,140</u>	<u>52,938</u>	<u>37,724</u>	<u>581,200</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,973</u>	<u>13,730</u>	<u>(1,936)</u>	<u>24,729</u>	<u>(1,605)</u>	<u>50,891</u>
Other Financing Sources (Uses)						
Notes Issued	-	-	24,750	-	-	24,750
Advances In	5,000	-	-	-	5,000	10,000
Advances Out	(5,000)	-	-	-	(5,000)	(10,000)
Other Financing Sources	333	-	-	-	-	333
<i>Total Other Financing Sources (Uses)</i>	<u>333</u>	<u>-</u>	<u>24,750</u>	<u>-</u>	<u>-</u>	<u>25,083</u>
<i>Net Change in Fund Balances</i>	16,306	13,730	22,814	24,729	(1,605)	75,974
<i>Fund Balances Beginning of Year</i>	<u>47,619</u>	<u>2,336</u>	<u>31,766</u>	<u>38,071</u>	<u>7,979</u>	<u>127,771</u>
<i>Fund Balances End of Year</i>	<u>\$ 63,925</u>	<u>\$ 16,066</u>	<u>\$ 54,580</u>	<u>\$ 62,800</u>	<u>\$ 6,374</u>	<u>\$ 203,745</u>

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

Falls Township, Hocking County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 123,700	\$ 123,700	\$ 140,698	\$ 16,998
Intergovernmental	66,850	66,850	74,847	7,997
Interest	2,100	2,100	2,341	241
<i>Total receipts</i>	<u>192,650</u>	<u>192,650</u>	<u>217,886</u>	<u>25,236</u>
Disbursements				
Current:				
General Government	225,031	225,031	191,465	33,566
Health	10,900	10,900	10,048	852
Capital Outlay	4,000	4,000	400	3,600
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<i>Total Disbursements</i>	<u>239,931</u>	<u>239,931</u>	<u>201,913</u>	<u>38,018</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,281)</u>	<u>(47,281)</u>	<u>15,973</u>	<u>63,254</u>
Other Financing Sources (Uses)				
Transfers In	100	100	-	(100)
Advances In	100	100	5,000	4,900
Advances Out	-	-	(5,000)	(5,000)
Other Financing Sources	200	200	333	133
<i>Total Other Financing Sources (Uses)</i>	<u>400</u>	<u>400</u>	<u>333</u>	<u>(67)</u>
<i>Net Change in Fund Balance</i>	(46,881)	(46,881)	16,306	63,187
<i>Fund Balance Beginning of Year</i>	<u>47,619</u>	<u>47,619</u>	<u>47,619</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 738</u>	<u>\$ 738</u>	<u>\$ 63,925</u>	<u>\$ 63,187</u>

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

Falls Township, Hocking County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 93,098	\$ 13,098
Interest	75	75	117	42
Miscellaneous	50	50	-	(50)
<i>Total receipts</i>	<u>80,125</u>	<u>80,125</u>	<u>93,215</u>	<u>13,090</u>
Disbursements				
Current:				
Public Works	72,406	72,406	68,277	4,129
Capital Outlay	12,000	12,000	3,788	8,212
Debt Service:				
Principal Retirement	-	-	6,866	(6,866)
Interest and Fiscal Charges	-	-	554	(554)
<i>Total Disbursements</i>	<u>84,406</u>	<u>84,406</u>	<u>79,485</u>	<u>4,921</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,281)</u>	<u>(4,281)</u>	<u>13,730</u>	<u>18,011</u>
Other Financing Sources (Uses)				
Transfers In	2,400	2,400	-	(2,400)
Advances In	100	100	-	(100)
<i>Total Other Financing Sources (Uses)</i>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
<i>Net Change in Fund Balance</i>	(1,781)	(1,781)	13,730	15,511
<i>Fund Balance Beginning of Year</i>	<u>2,336</u>	<u>2,336</u>	<u>2,336</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 555</u>	<u>\$ 555</u>	<u>\$ 16,066</u>	<u>\$ 15,511</u>

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

Falls Township, Hocking County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Poperty and Other Local Taxes	\$ 188,800	\$ 188,800	\$ 185,265	\$ (3,535)
Intergovernmental	25,000	25,000	21,939	(3,061)
Miscellaneous	3,500	3,500	-	(3,500)
<i>Total receipts</i>	<u>217,300</u>	<u>217,300</u>	<u>207,204</u>	<u>(10,096)</u>
Disbursements				
Current:				
Public Works	238,962	238,962	172,367	66,595
Capital Outlay	12,150	12,150	36,773	(24,623)
<i>Total Disbursements</i>	<u>251,112</u>	<u>251,112</u>	<u>209,140</u>	<u>41,972</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,812)</u>	<u>(33,812)</u>	<u>(1,936)</u>	<u>31,876</u>
Other Financing Sources (Uses)				
Notes Issued	-	-	24,750	24,750
Transfers In	10,000	10,000	-	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>24,750</u>	<u>14,750</u>
<i>Net Change in Fund Balance</i>	<u>(23,812)</u>	<u>(23,812)</u>	<u>22,814</u>	<u>46,626</u>
<i>Fund Balance Beginning of Year</i>	<u>31,766</u>	<u>31,766</u>	<u>31,766</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,954</u>	<u>\$ 7,954</u>	<u>\$ 54,580</u>	<u>\$ 46,626</u>

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

Falls Township, Hocking County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fire Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 70,500	\$ 70,500	\$ 69,608	\$ (892)
Intergovernmental	9,000	9,000	8,059	(941)
<i>Total receipts</i>	<u>79,500</u>	<u>79,500</u>	<u>77,667</u>	<u>(1,833)</u>
Disbursements				
Current:				
General Government	2,200	2,200	1,898	302
Public Safety	115,171	115,171	51,040	64,131
<i>Total Disbursements</i>	<u>117,371</u>	<u>117,371</u>	<u>52,938</u>	<u>64,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,871)</u>	<u>(37,871)</u>	<u>24,729</u>	<u>62,600</u>
Other Financing Sources (Uses)				
Transfers Out	(200)	(200)	-	200
<i>Total Other Financing Sources (Uses)</i>	<u>(200)</u>	<u>(200)</u>	<u>-</u>	<u>200</u>
<i>Net Change in Fund Balance</i>	(38,071)	(38,071)	24,729	62,800
<i>Fund Balance Beginning of Year</i>	<u>38,071</u>	<u>38,071</u>	<u>38,071</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,800</u>	<u>\$ 62,800</u>

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

Note 1 – Reporting Entity

The Falls Township, Hocking County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. 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, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Logan and the Village of New Straitsville for fire and emergency services.

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, 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. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements that 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 show governmental activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental and business-type 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. Non-major funds are aggregated and presented in a single column.

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's 2007 major governmental funds are the General, Motor Vehicle, Gasoline, and Special Levy Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The motor vehicle and gasoline are used, to a great extent, for road maintenance/repair, expenditures to keep Township equipment in working order and purchase new capital assets. State law passed within the last few years has greatly enhanced receipts to the gasoline fund. The receipts have given Falls Township much-needed funds to operate the Township.

C. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control is established and approved for the funds by the Board of Trustees. These appropriations are submitted to the Hocking County Auditor's office.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 at the beginning of the year. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2007 and 2006 the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are recorded at cost.

Interest earnings are allocated to Township funds according to state statutes.

Interest receipts credited to the General Fund during 2007 was \$10,925, Gasoline Fund, \$350 and Other Governmental Funds \$203 making total interest receipts received \$11,478.

Interest receipts credited to the General Fund during 2006 was \$2,341, Gasoline Fund \$117 and Other Governmental Funds \$32 making total interest receipts received \$2,490.

F. Restricted 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. The Township did not have any restricted assets.

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 financial 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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for Interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as leaving employment of 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.

Note 2 – Summary of Significant Accounting Policies (continued)

K. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. 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 governmental funds are used for the following purposes: gasoline, motor vehicle license, road and bridge funds are used primarily for road maintenance/repair but also encompass many other purposes as salaries (and related expenses as OPERS Social Security and Medicare), insurance, equipment purchases, etc.

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. The Township has one levy for outside millage.

N. Fund Balance Reserves

The Township reserves any portion of fund balances, which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – 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 comparison of actual results with the budget. The differences 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. The encumbrances outstanding at year-end 2007 (budgetary basis) amounted to \$2,257 for the General Fund \$1,137 for the Gas Tax Fund and \$5,265 for the Road and Bridge Fund. At year-end 2006, the encumbrances amounted to \$16,933 for the General Fund, \$1,122 for the Gas Tax Fund, and \$362 for the Road and Bridge Fund.

Note 4 – Deposits and Investments

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

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

Inactive deposits are public deposits that 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.

Note 4 -Deposits and Investments (continued)

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 State 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007 \$146,966 and December 31, 2006 \$103,745 of the Township's bank balance was exposed to custodial 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.

Falls Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 4 -Deposits and Investments (continued)

B. Investments

Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for on going operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Note 5 – 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 and 2006 represent the collection of 2006 and 2005 taxes. Real property taxes received in 2007 and 2006 were levied after October 1, 2005 and 2006, on the assessed values as of January 1, 2005 and 2006, the lien dates. 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 2007 and 2006 represent the collection of 2006 and 2005 taxes. Public utility real and tangible personal property taxes received in 2007 and 2006 became a lien on December 31, 2006 and 2005, were levied after October 1, 2006 and 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and 2005, on the true value as of December 31, 2006 and 2005. Tangible personal property taxes received in 2006 represents the collection of 2005 taxes. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006 (the latest information available) was \$3.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

Real Property	2007	2006
Residential/Agricultural	\$70,133,320	\$68,499,060
Other	4,898,010	4,978,880
Tangible Personal Property		
General	2,489,330	4,769,878
Public Utilities	4,635,390	4,561,770
Total Assessed Value	\$82,156,050	\$82,809,588

Note 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.

Falls Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 6 – Risk Management (continued)

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.

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

Property Coverage

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

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>-11,443,952</u>	<u>-12,344,576</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
 <u>Property Coverage</u>	 <u>2006</u>	 <u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>-676,709</u>	<u>-1,406,031</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

Note 6 – Risk Management (continued)

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.

Financial Position (continued)

These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions 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.

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.

Note 7 – 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.

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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. In 2006 it was 9.0. The Township's contribution rate for pension benefits for 2007 was 13.85 percent, and 2006 was 13.70 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, 2007, 2006, and 2005 were \$21,632, \$19,367 and \$17,443 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Falls Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 8 - 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 2007 local government employer contribution rate was 13.85 percent of covered payroll.

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, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 358,804. Actual employer contributions for 2007 that were used to fund postemployment benefits were \$156,685. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (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' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

Name	Description	Principal Outstanding 12/31/05	Add	Deductions	Principal Outstanding 12/31/06	Add	Deductions	Principal Outstanding 12/31/07
	2002 Issue							
G. O. Note- Truck	(\$52,815) Interest Rate 4%	\$21,126	\$ -	\$10,563	\$10,563	\$ -	\$10,563	\$ -
	2006 Issue							
G. O. Note- Trac hoe	(\$24,750) Interest Rate 5.5%	N/A	N/A	N/A	\$24,750	\$ -	\$4,950	\$19,800

The Township issued a General Obligation note in 2002 for \$52,815 for the purchase of a truck. This note was paid in full during the audit period.

The Township issued a General obligation note in 2006 for the \$24,750 for the purchase of a Trac hoe. This note is backed by the full faith and credit of the Township. This loan is being paid from the Road and Bridge Fund.

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

Falls Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 9 – Debt (continued)

Year	Promissory Note	
	<u>Principal</u>	<u>Interest</u>
2008	\$4,950	\$1,107
2009	4,950	828
2010	4,950	552
2011	4,950	276
Totals	<u>\$19,800</u>	<u>\$2,763</u>

Note 10 – Interfund Advances

During 2006 the following advances were made:

Advances from the General Fund to:	<u>2006</u>
Other Governmental Funds	<u>\$5,000</u>
Total Advances from the General Fund	<u>\$5,000</u>

The above advances were repaid within the same fiscal year.

Perry & Associates
Certified Public Accountants, A.C.

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1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

March 14, 2008

Falls Township
Hocking County
14370 State Rte 93 South
Logan, Ohio 43138

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 **Falls Township, Hocking County, Ohio** (the Township) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 14, 2008. 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 the 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 considered 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 a 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.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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 none of the significant deficiencies described above are material weaknesses.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**FALLS TOWNSHIP
HOCKING COUNTY**

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

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

FINDING NUMBER 2007-001

Significant Deficiency

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2006 and 2007, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, note proceeds and related disbursement were not recorded to the Township's financial system. In addition, the expenditures for the debt payments were posted to Capital Outlay rather than principle and interest. Also, the county auditor's portion of the chip and seal project was not recorded as Public Works in 2006 and 2007. This resulted in several reclassification entries being made to the financial statements.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

FINDING NUMBER 2007-002

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.



Mary Taylor, CPA
Auditor of State

FALLS TOWNSHIP

HOCKING 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
MAY 15, 2008**