



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



FALLS TOWNSHIP  
HOCKING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Falls Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Falls Township, Hocking County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2002 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 grants. 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

September 27, 2002

**FALLS TOWNSHIP  
HOCKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$80,300	\$171,664	\$	\$251,964
Intergovernmental	130,884	92,025		222,909
Licenses, Permits, and Fees		3,400		3,400
Earnings on Investments	10,360	898	50	11,308
Other Revenue		12,837		12,837
Total Cash Receipts	<u>221,544</u>	<u>280,824</u>	<u>50</u>	<u>502,418</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	119,371	1,037		120,408
Public Safety		31,900		31,900
Public Works		325,725		325,725
Health	2,253	7,700		9,953
Debt Service:				
Redemption of Principal		15,786		15,786
Interest and Fiscal Charges		4,377		4,377
Capital Outlay	80	38,285	1,535	39,900
Total Cash Disbursements	<u>121,704</u>	<u>424,810</u>	<u>1,535</u>	<u>548,049</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>99,840</u>	<u>(143,986)</u>	<u>(1,485)</u>	<u>(45,631)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		100,000		100,000
Transfers-Out	(100,000)	0	0	(100,000)
Other Sources	266	0	0	266
Total Other Financing Receipts/(Disbursements)	<u>(99,734)</u>	<u>100,000</u>	<u>0</u>	<u>266</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106	(43,986)	(1,485)	(45,365)
Fund Cash Balances, January 1	<u>130,622</u>	<u>115,071</u>	<u>2,825</u>	<u>248,518</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$130,728</u></b>	<b><u>\$71,085</u></b>	<b><u>\$1,340</u></b>	<b><u>\$203,153</u></b>
Reserve for Encumbrances, December 31	<u>\$5,023</u>	<u>\$5,238</u>	<u>\$0</u>	<u>\$10,261</u>

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

**FALLS TOWNSHIP  
HOCKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$75,502	\$175,137	\$	\$250,639
Intergovernmental	104,447	90,044		194,491
Licenses, Permits, and Fees		9,192		9,192
Earnings on Investments	10,752	525	65	11,342
Other Revenue		4,105		4,105
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	190,701	279,003	65	469,769
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
General Government	105,831	1,089		106,920
Public Safety		31,900		31,900
Public Works		260,439		260,439
Health	3,068	2,275		5,343
Debt Service:				
Redemption of Principal		15,450		15,450
Interest and Fiscal Charges		4,713		4,713
Capital Outlay	3,540	664	1,350	5,554
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	112,439	316,530	1,350	430,319
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	78,262	(37,527)	(1,285)	39,450
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/ (Disbursements):</b>				
Sale of Fixed Assets	217			217
Transfers-In	15,800	90,000		105,800
Transfers-Out	(90,000)	(15,800)	0	(105,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(73,983)	74,200	0	217
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,279	36,673	(1,285)	39,667
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	126,343	78,398	4,110	208,851
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$130,622</u></b>	<b><u>\$115,071</u></b>	<b><u>\$2,825</u></b>	<b><u>\$248,518</u></b>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$4,294</u>	<u>\$3,593</u>	<u>\$0</u>	<u>\$7,887</u>

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

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Falls Township, Hocking County (the Township), is a body corporate and political established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road maintenance, fire protection, and cemetery maintenance. The Township contracts with the City of Logan and the Village of New Straightsville to provide fire services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue (Continued)**

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money to construct, maintain, and repair Township.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain, and repair Township roads.

Road and Bridge Fund – This fund receives property tax money to maintain Township roads and bridges.

**3. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Thomas Trust Fund – This Expendable Trust Fund receives interest toward the care of the Township owned cemeteries.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$108,153	\$153,518
Certificates of deposit	94,000	94,000
Total deposits	202,153	247,518
U.S. Treasury Notes	1,000	1,000
Total investments	1,000	1,000
Total deposits and investments	\$203,153	\$248,518

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,950	\$221,810	\$28,860
Special Revenue	386,000	380,824	(5,176)
Expendable Trust	50	50	0
Total	\$579,000	\$602,684	\$23,684

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$323,572	\$226,727	\$96,845
Special Revenue	501,071	430,048	71,023
Expendable Trust	2,875	1,535	1,341
Total	\$827,518	\$658,310	\$169,209

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,465	\$206,718	\$44,253
Special Revenue	348,119	369,003	20,884
Expendable Trust	150	65	(85)
Total	\$510,734	\$575,786	\$65,052

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,807	\$206,733	\$82,074
Special Revenue	411,919	335,923	75,996
Expendable Trust	4,260	1,350	2,910
Total	\$704,986	\$544,006	\$160,980

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Backhoe General Obligation Note	\$23,730	5.75%
Truck General Obligation Note	46,821	5.75%
Total	<u>\$70,551</u>	

The backhoe and truck notes were issued to finance the purchase of new equipment to be used for Township road maintenance. These notes are collateralized solely by the Township's taxing authority and are being retired through various special revenue funds.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Backhoe Note</u>	<u>Truck Note</u>
Year ending December 31:		
2002	\$6,774	\$13,388
2003	6,774	13,388
2004	6,774	13,388
2005	6,774	13,388
Total	<u>\$27,096</u>	<u>\$53,552</u>

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

**FALLS TOWNSHIP  
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Casualty Coverage**

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

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

**Property Coverage**

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (the latest information available)::

Casualty Coverage	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
Property Coverage	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Falls Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 27, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 27, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 27, 2002.

Falls Township  
Hocking County  
Report of Independent Accountants on Compliance and on Internal Controls  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

September 27, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**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  
OCTOBER 17, 2002**