



Mary Taylor, CPA  
Auditor of State



**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

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MUSKINGUM COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

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, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Falls Township, Muskingum County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge and Fire District Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

August 9, 2010

Falls Township  
Muskingum County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited

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This discussion and analysis of Falls Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2009 and 2008, 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 2009 are as follows:

Net assets of governmental activities increased by \$167,175, or 7 percent, a significant change from the prior year.

The Township's general receipts are primarily property taxes and intergovernmental revenues. These receipts represent \$915,172 and 75 percent of the total cash received for governmental activities during the year.

Key highlights for 2008 are as follows:

Net assets of governmental activities decreased by \$158,608, or 6 percent, a significant change from the prior year. The decrease was due to the increased cost of fuel, road paving, road salt and the purchase of new equipment.

The Township's general receipts are primarily property tax and intergovernmental revenues. These receipts represent \$960,495 and 77 percent of the total receipts received for governmental activities during the year.

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

Falls Township  
Muskingum County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
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**Basis of Accounting**

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

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

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2009 and 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 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 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 taxes.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities - Most of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the 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. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs.

Falls Township  
Muskingum County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited

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The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2009 compared to 2008 and 2007 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2009	2008	2007
<b>Assets</b>			
Cash and Cash Equivalents	\$2,719,740	\$2,552,565	\$2,711,173
Total Assets	\$2,719,740	\$2,552,565	\$2,711,173
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$906,261	\$1,736,479	\$984,132
Capital Projects	351	351	351
Unrestricted	1,813,128	815,735	1,726,690
Total Net Assets	\$2,719,740	\$2,552,565	\$2,711,173

As mentioned previously, in 2009 net assets of governmental activities increased by \$167,175, or 7 percent, an insignificant change from the prior year.

Net assets of governmental activities decreased by \$158,608, or 6 percent during 2008. This is an insignificant change from the prior year. This decrease was due to the increased cost of fuel, road paving, road salt and the purchase of new equipment.

Table 2 reflects the changes in net assets on a cash basis in 2009, 2008 and 2007 for governmental activities.

Falls Township  
Muskingum County  
Management's Discussion and Analysis  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		
	2009	2008	2007
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$7,645	\$16,812	\$26,287
Operating Grants and Contributions	290,462	263,421	117,992
Total Program Receipts	<u>298,107</u>	<u>280,233</u>	<u>144,279</u>
General Receipts:			
Property Taxes	628,375	644,552	691,737
Grants and Entitlements Not Restricted to Specific Programs	235,742	243,829	770,042
Interest	28,882	45,479	111,777
Miscellaneous	22,173	26,635	19,567
Total General Receipts	<u>915,172</u>	<u>960,495</u>	<u>1,593,123</u>
Total Receipts	<u>1,213,279</u>	<u>1,240,728</u>	<u>1,737,402</u>
Disbursements:			
General Government	291,592	407,378	305,093
Public Safety	262,369	217,500	212,214
Public Works	490,722	773,078	488,737
Health Services	1,421	1,380	1,380
Total Disbursements	<u>1,046,104</u>	<u>1,399,336</u>	<u>1,007,424</u>
Increase (Decrease) in Net Assets	167,175	(158,608)	729,978
Net Assets, January 1	<u>2,552,565</u>	<u>2,711,173</u>	<u>1,981,195</u>
Net Assets, December 31	<u>\$2,719,740</u>	<u>\$2,552,565</u>	<u>\$2,711,173</u>

Program receipts represent 25 percent in 2009 and 23 percent in 2008 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 75 percent in 2009 and 77 percent in 2008 of the Township's total receipts. Taxes represent 70 and 67 percent of general receipts in 2009 and 2008, respectively and grants make up the majority of remaining general receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include, but aren't limited to, the costs of officials' and full-time employee's salaries, insurance, retirement, worker's compensation, and unemployment compensation and utilities. Public Safety is the cost of fire and emergency medical service; Public Works is the general maintenance as well as repair of roads; and Health Services is the cost for health services

Falls Township  
Muskingum County  
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**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 18, 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 major program disbursements for governmental activities are for General Government and Public Works, which account for 28 and 47 percent of all governmental disbursements, respectively for 2009. The major program disbursements for governmental activities are for General Government and Public Works, which account for 29 and 55 percent of all governmental disbursements, respectively for 2008. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$291,592	\$220,694	\$407,378	\$353,201	\$305,093	\$301,356
Public Safety	262,369	59,112	217,500	217,500	212,214	212,214
Public Works	490,722	490,722	773,078	564,147	488,737	354,118
Health	1,421	(4,879)	1,380	(13,520)	1,380	1,380
Conservation-Recreation	0	(17,652)	0	(2,225)	0	(5,923)
<b>Total Expenses</b>	<b>\$1,046,104</b>	<b>\$747,997</b>	<b>\$1,399,336</b>	<b>\$1,119,103</b>	<b>\$1,007,424</b>	<b>\$863,145</b>

The dependence upon property tax and grants and entitlement receipts is apparent as over 72 percent of governmental activities are supported through the general receipts in 2009.

The dependence upon property tax and grants and entitlement receipts is apparent as over 80 percent of governmental activities are supported through the general receipts in 2008.

**The Township's Funds**

During 2009 total governmental funds had receipts of \$1,213,279 and disbursements of \$1,046,104. The greatest change within governmental funds occurred within the Gasoline Tax Fund.

During 2008 total governmental funds had receipts of \$1,240,728 and disbursements of \$1,399,336. The greatest change within governmental funds occurred within the Road and Bridge Fund because the Township had a large paving contract.

Falls Township  
Muskingum County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited

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**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 2009 the Township did not need to amend its budget to reflect changing circumstances.

During 2009 final disbursements were budgeted at \$873,000 for the General Fund, \$250,000 for the Gasoline Tax Fund, \$600,000 for the Road and Bridge Fund and \$245,000 for the Fire District Fund, while actual disbursements were \$305,647 in the General Fund, \$37,598 in the Gasoline Tax Fund, \$418,992 in the Road and Bridge Fund and \$265,869 in the Fire District Fund.

During 2008 the Township did not need to amend its budget to reflect changing circumstances

During 2008 final disbursements were budgeted at \$900,000 for the General Fund, \$200,000 for the Gasoline Tax Fund, \$700,000 for the Road and Bridge Fund and \$225,000 for the Fire District Fund, while actual disbursements were \$409,865 in the General Fund, \$95,847 in the Gasoline Tax Fund, \$643,232 in the Road and Bridge Fund and \$223,932 in the Fire District Fund.

**Capital Assets and Debt Administration**

Capital Assets

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

Debt

At December 31, 2009, the Township has no outstanding debt.

**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 Mr. Gary E. Hamilton, CPA, Fiscal Officer of Falls Township, Muskingum County, State of Ohio, P.O. Box 511, Zanesville, Oh 43702-0511 or call at 740-454-8852 or fax at 740-454-6443 or email at ghamilton@rrohio.com.

FALLS TOWNSHIP  
MUSKINGUM COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2009

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,719,740</u>
<i>Total Assets</i>	<u><u>\$2,719,740</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$351
Other Purposes	906,261
Unrestricted	<u>1,813,128</u>
<i>Total Net Assets</i>	<u><u>\$2,719,740</u></u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
<b>Governmental Activities</b>			
General Government	\$291,592		\$70,898
Public Safety	262,369		203,257
Public Works	490,722		(490,722)
Health	1,421	\$6,300	4,879
Other		1,345	16,307
	<u>\$1,046,104</u>	<u>\$7,645</u>	<u>\$290,462</u>
<i>Total Governmental Activities</i>			(747,997)
<b>General Receipts</b>			
Property Taxes Levied for:			
			628,375
			235,742
			28,882
			<u>22,173</u>
			<u>915,172</u>
			167,175
			<u>2,552,565</u>
			<u>\$2,719,740</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	General	Gasoline Tax Fund	Road & Bridge Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,813,128	\$557,311	\$217,734	\$7,748	\$123,819	\$2,719,740
<i>Total Assets</i>	<u>\$1,813,128</u>	<u>\$557,311</u>	<u>\$217,734</u>	<u>\$7,748</u>	<u>\$123,819</u>	<u>\$2,719,740</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$1,813,128					\$1,813,128
Special Revenue Funds		\$557,311	\$217,734	\$7,748	\$123,468	906,261
Capital Projects Funds					351	351
<i>Total Fund Balances</i>	<u>\$1,813,128</u>	<u>\$557,311</u>	<u>\$217,734</u>	<u>\$7,748</u>	<u>\$123,819</u>	<u>\$2,719,740</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Gasoline Tax	Road & Bridge Fund	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$84,579		\$348,747	\$211,356		\$644,682
Licenses, Permits and Fees					\$5,245	5,245
Intergovernmental	255,315	\$111,168	72,528	51,326	19,560	509,897
Interest	28,728	149			5	28,882
Other	13,674		5,312	3,187	2,400	24,573
<i>Total Receipts</i>	<u>382,296</u>	<u>111,317</u>	<u>426,587</u>	<u>265,869</u>	<u>27,210</u>	<u>1,213,279</u>
<b>Disbursements</b>						
Current:						
General Government	280,567		7,525	3,500		291,592
Public Safety				262,369		262,369
Public Works	23,700	37,598	411,467		17,957	490,722
Health	1,380				41	1,421
<i>Total Disbursements</i>	<u>305,647</u>	<u>37,598</u>	<u>418,992</u>	<u>265,869</u>	<u>17,998</u>	<u>1,046,104</u>
<i>Net Change in Fund Balances</i>	76,649	73,719	7,595	0	9,212	167,175
<i>Fund Balances Beginning of Year</i>	<u>1,736,479</u>	<u>483,592</u>	<u>210,139</u>	<u>7,748</u>	<u>114,607</u>	<u>2,552,565</u>
<i>Fund Balances End of Year</i>	<u>\$1,813,128</u>	<u>\$557,311</u>	<u>\$217,734</u>	<u>\$7,748</u>	<u>\$123,819</u>	<u>\$2,719,740</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$90,814	\$90,814	\$84,579	(\$6,235)
Licenses, Permits and Fees	250	250		(250)
Intergovernmental	92,483	92,483	255,315	162,832
Interest	35,000	35,000	28,728	(6,272)
Other	46,541	46,541	13,674	(32,867)
<i>Total Receipts</i>	<u>265,088</u>	<u>265,088</u>	<u>382,296</u>	<u>117,208</u>
<b>Disbursements</b>				
Current:				
General Government	866,120	866,120	280,567	585,553
Public Works	3,000	3,000	23,700	(20,700)
Health	1,380	1,380	1,380	0
Conservation-Recreation	2,500	2,500		2,500
<i>Total Disbursements</i>	<u>873,000</u>	<u>873,000</u>	<u>305,647</u>	<u>567,353</u>
<i>Net Change in Fund Balance</i>	(607,912)	(607,912)	76,649	684,561
<i>Fund Balance Beginning of Year</i>	<u>1,736,479</u>	<u>1,736,479</u>	<u>1,736,479</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,128,567</u></u>	<u><u>\$1,128,567</u></u>	<u><u>\$1,813,128</u></u>	<u><u>\$684,561</u></u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$112,000	\$112,000	\$111,168	(\$832)
Interest	8,000	8,000	149	(7,851)
<i>Total Receipts</i>	<u>120,000</u>	<u>120,000</u>	<u>111,317</u>	<u>(8,683)</u>
<b>Disbursements</b>				
Current:				
General Government	1,500	1,500		1,500
Public Works	248,500	248,500	37,598	210,902
<i>Total Disbursements</i>	<u>250,000</u>	<u>250,000</u>	<u>37,598</u>	<u>212,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(130,000)</u>	<u>(130,000)</u>	<u>73,719</u>	<u>203,719</u>
<i>Net Change in Fund Balance</i>	(130,000)	(130,000)	73,719	203,719
<i>Fund Balance Beginning of Year</i>	<u>483,592</u>	<u>483,592</u>	<u>483,592</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$353,592</u></u>	<u><u>\$353,592</u></u>	<u><u>\$557,311</u></u>	<u><u>\$203,719</u></u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$388,628	\$388,628	\$348,747	(\$39,881)
Intergovernmental	750	750	72,528	71,778
Other	7,000	7,000	5,312	(1,688)
<i>Total Receipts</i>	396,378	396,378	426,587	30,209
<b>Disbursements</b>				
Current:				
General Government	10,000	10,000	7,525	2,475
Public Works	590,000	590,000	411,467	178,533
<i>Total Disbursements</i>	600,000	600,000	418,992	181,008
<i>Net Change in Fund Balance</i>	(203,622)	(203,622)	7,595	211,217
<i>Fund Balance Beginning of Year</i>	210,139	210,139	210,139	0
<i>Fund Balance End of Year</i>	\$6,517	\$6,517	\$217,734	\$211,217

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$236,007	\$236,007	\$211,356	(\$24,651)
Intergovernmental	250	250	51,326	51,076
Other	11,500	11,500	3,187	(8,313)
<i>Total Receipts</i>	<u>247,757</u>	<u>247,757</u>	<u>265,869</u>	<u>18,112</u>
<b>Disbursements</b>				
Current:				
General Government	3,500	3,500	3,500	0
Public Safety	241,500	241,500	262,369	(20,869)
<i>Total Disbursements</i>	<u>245,000</u>	<u>245,000</u>	<u>265,869</u>	<u>(20,869)</u>
<i>Net Change in Fund Balance</i>	2,757	2,757	0	(2,757)
<i>Fund Balance Beginning of Year</i>	<u>7,748</u>	<u>7,748</u>	<u>7,748</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$10,505</u>	<u>\$10,505</u>	<u>\$7,748</u>	<u>(\$2,757)</u>

See accompanying notes to the basic financial statements

FALLS TOWNSHIP  
MUSKINGUM COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2008

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,552,565</u>
<i>Total Assets</i>	<u><u>\$2,552,565</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$351
Other Purposes	815,735
Unrestricted	<u>1,736,479</u>
<i>Total Net Assets</i>	<u><u>\$2,552,565</u></u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
<b>Governmental Activities</b>			
General Government	\$407,378		(\$353,201)
Public Safety	217,500		(217,500)
Public Works	773,078		(564,147)
Health	1,380	\$14,900	13,520
Other		1,912	2,225
<i>Total Governmental Activities</i>	<u>\$1,399,336</u>	<u>\$16,812</u>	<u>\$263,421</u>
			(1,119,103)
<b>General Receipts</b>			
Property Taxes Levied for:			
			644,552
			243,829
			45,479
			<u>26,635</u>
			<u>960,495</u>
			(158,608)
			<u>2,711,173</u>
			<u>\$2,552,565</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	General	Gasoline Tax Fund	Road & Bridge Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,736,479	\$483,592	\$210,139	\$7,748	\$114,607	\$2,552,565
<i>Total Assets</i>	<u>\$1,736,479</u>	<u>\$483,592</u>	<u>\$210,139</u>	<u>\$7,748</u>	<u>\$114,607</u>	<u>\$2,552,565</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$1,736,479					\$1,736,479
Special Revenue Funds		\$483,592	\$210,139	\$7,748	\$114,256	815,735
Capital Projects Funds					351	351
<i>Total Fund Balances</i>	<u>\$1,736,479</u>	<u>\$483,592</u>	<u>\$210,139</u>	<u>\$7,748</u>	<u>\$114,607</u>	<u>\$2,552,565</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Gasoline Tax	Road & Bridge Fund	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$107,589		\$354,565	\$182,398		\$644,552
Licenses, Permits and Fees					\$8,812	8,812
Intergovernmental	259,755	\$116,144	73,106	38,120	20,124	507,249
Interest	34,561	8,815			2,103	45,479
Other	17,749		5,463	3,424	8,000	34,636
<i>Total Receipts</i>	<u>419,654</u>	<u>124,959</u>	<u>433,134</u>	<u>223,942</u>	<u>39,039</u>	<u>1,240,728</u>
<b>Disbursements</b>						
Current:						
General Government	391,291		7,583	6,432	2,072	407,378
Public Safety				217,500		217,500
Public Works	17,194	95,847	635,649		24,388	773,078
Health	1,380					1,380
<i>Total Disbursements</i>	<u>409,865</u>	<u>95,847</u>	<u>643,232</u>	<u>223,932</u>	<u>26,460</u>	<u>1,399,336</u>
<i>Net Change in Fund Balances</i>	9,789	29,112	(210,098)	10	12,579	(158,608)
<i>Fund Balances Beginning of Year</i>	<u>1,726,690</u>	<u>454,480</u>	<u>420,237</u>	<u>7,738</u>	<u>102,028</u>	<u>2,711,173</u>
<i>Fund Balances End of Year</i>	<u>\$1,736,479</u>	<u>\$483,592</u>	<u>\$210,139</u>	<u>\$7,748</u>	<u>\$114,607</u>	<u>\$2,552,565</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$93,254	\$93,254	\$107,589	\$14,335
Licenses, Permits and Fees	1,500	1,500		(1,500)
Intergovernmental	90,731	90,731	259,755	169,024
Interest	40,000	40,000	34,561	(5,439)
Other	10,000	10,000	17,749	7,749
<i>Total Receipts</i>	<u>235,485</u>	<u>235,485</u>	<u>419,654</u>	<u>184,169</u>
<b>Disbursements</b>				
Current:				
General Government	871,220	871,220	391,291	479,929
Public Works	25,000	25,000	17,194	7,806
Health	1,380	1,380	1,380	0
Conservation-Recreation	2,400	2,400		2,400
<i>Total Disbursements</i>	<u>900,000</u>	<u>900,000</u>	<u>409,865</u>	<u>490,135</u>
<i>Net Change in Fund Balance</i>	(664,515)	(664,515)	9,789	674,304
<i>Fund Balance Beginning of Year</i>	<u>1,726,690</u>	<u>1,726,690</u>	<u>1,726,690</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,062,175</u>	<u>\$1,062,175</u>	<u>\$1,736,479</u>	<u>\$674,304</u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$80,000	\$80,000	\$116,144	\$36,144
Interest	10,000	10,000	8,815	(1,185)
<i>Total Receipts</i>	<u>90,000</u>	<u>90,000</u>	<u>124,959</u>	<u>34,959</u>
<b>Disbursements</b>				
Current:				
General Government	2,500	2,500		2,500
Public Works	197,500	197,500	95,847	101,653
<i>Total Disbursements</i>	<u>200,000</u>	<u>200,000</u>	<u>95,847</u>	<u>104,153</u>
<i>Net Change in Fund Balance</i>	(110,000)	(110,000)	29,112	139,112
<i>Fund Balance Beginning of Year</i>	<u>454,480</u>	<u>454,480</u>	<u>454,480</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$344,480</u></u>	<u><u>\$344,480</u></u>	<u><u>\$483,592</u></u>	<u><u>\$139,112</u></u>

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$399,466	\$399,466	\$354,565	(\$44,901)
Intergovernmental	7,000	7,000	73,106	66,106
Other	13,000	13,000	5,463	(7,537)
<i>Total Receipts</i>	419,466	419,466	433,134	13,668
<b>Disbursements</b>				
Current:				
General Government	15,000	15,000	7,583	7,417
Public Works	685,000	685,000	635,649	49,351
<i>Total Disbursements</i>	700,000	700,000	643,232	56,768
<i>Net Change in Fund Balance</i>	(280,534)	(280,534)	(210,098)	510,393
<i>Fund Balance Beginning of Year</i>	420,237	420,237	420,237	0
<i>Fund Balance End of Year</i>	\$139,703	\$139,703	\$210,139	\$510,393

See accompanying notes to the basic financial statements

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$204,871	\$204,871	\$182,398	(\$22,473)
Intergovernmental	1,000	1,000	38,120	37,120
Other	12,000	12,000	3,424	(8,576)
<i>Total Receipts</i>	<u>217,871</u>	<u>217,871</u>	<u>223,942</u>	<u>6,071</u>
<b>Disbursements</b>				
Current:				
General Government	7,500	7,500	6,432	1,068
Public Safety	217,500	217,500	217,500	0
<i>Total Disbursements</i>	<u>225,000</u>	<u>225,000</u>	<u>223,932</u>	<u>1,068</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,129)</u>	<u>(7,129)</u>	<u>10</u>	<u>7,139</u>
<i>Net Change in Fund Balance</i>	(7,129)	(7,129)	10	7,139
<i>Fund Balance Beginning of Year</i>	<u>7,738</u>	<u>7,738</u>	<u>7,738</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$609</u>	<u>\$609</u>	<u>\$7,748</u>	<u>\$7,139</u>

See accompanying notes to the basic financial statements

Falls Township  
Muskingum County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008

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**Note 1 – Reporting Entity**

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

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. Police protection is provided by the Muskingum County Sheriff's Department.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Falls Township has no component units.

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

**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 which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Falls Township  
Muskingum County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008

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**Note 2 – Summary of Significant Accounting Policies** (continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund and the Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund receives gas tax money and expenditures must be road related. The Road and Bridge Fund receives property tax revenues and expenditures must be road related. The Fire District Fund receives property tax revenues and fire contract monies and expenditures are for equipment and supplies and other related expenses to provide for fire and emergency services for Township residents and other residents.

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

C. Basis of Accounting

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

Falls Township  
Muskingum County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting** (Continued)

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

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution 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".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 was \$28,728 which includes \$3,315 assigned from other Township funds. Interest receipts credited to the General Fund during 2008 was \$34,561 which includes \$7,780 assigned from other Township funds.

**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. There were no restricted assets at year end.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**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. There were no advances during 2009 or 2008.

**J. Accumulated Leave**

Upon leaving employment, employees are not entitled to cash payments for unused sick leave. Employees may be entitled to cash payments for unused vacation hours. Accumulated vacations hours are small and deemed insignificant. Unpaid vacation hours are not reflected as a liability under the Townships cash basis of accounting.

**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 healthcare benefits.

**L. Long-Term Obligations**

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

**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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and the following major special revenue funds: Gasoline Tax Fund, Road and Bridge Fund and Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

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

Falls Township  
Muskingum County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008

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**Note 4 - Deposits and Investments** (continued)

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

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2009, \$2,490,314 of the Township's bank balance of \$2,740,314 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At December 31, 2008, \$2,346,833 of the Township's bank balance of \$2,596,833 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

**Note 5 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2009 and 2008 for real property taxes represents collections of the 2008 and 2007 taxes. Property tax payments received during 2009 and 2008 for tangible personal property (other than public utility property) is for 2009 and 2008 taxes.

2009 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. 2008 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2007, and are collected in 2009 with real property taxes.

Falls Township  
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**Note 5 – Property Taxes** (continued)

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2009, was \$3.65 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$167,645,640
Commercial/Industrial/Mineral	31,543,090
Public Utility – Personal	4,597,900
Tangible Personal Property	6,725,880
Total Assessed Values	\$210,512,510

The full tax rate for all Township operations for the year ended December 31, 2008, was \$3.65 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$169,305,920
Commercial/Industrial/Mineral	28,584,340
Public Utility – Personal	368,090
Tangible Personal Property	6,966,480
Total Assessed Values	\$205,224,830

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 6 – Risk Management**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

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**Note 6 – Risk Management** (continued)

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. The Township participates only in the traditional 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) 222-5601 or (800) 222-7377.

**Note 7 – Defined Benefit Pension Plan** (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2009 and 2008, members of all three plans contributed 10 percent of covered payroll. The Township's contribution rate for pension benefits in 2009 was 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009 and 2008 were \$27,855 and \$29,373, respectively. The full amount has been contributed for 2009 and 2008. There were no contributions to member-directed plans.

**Note 8 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 local government employer contribution rate was 14 percent of covered payroll; 7 percent from January 1 to March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 was the portion that was used to fund health care. The 2008 local government employer contribution rate was 14 percent of covered payroll; 7 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, 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 costs were assumed to increase between 0.5 percent and 3.00 percent annually for the next six years and 4.00 percent annually after seven years.

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

The number of active contributing participants in the traditional and combined plans was 357,584 for 2009. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual employer contributions which were used to fund postemployment benefits were \$11,755 for 2009 and \$14,687 for 2008. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$29.6 billion and \$18.9 billion, respectively.

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

Falls Township  
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**Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 10 – Related Party Transactions**

The Township is not aware of any related party transactions.



# Mary Taylor, CPA

Auditor of State

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

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

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, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 9, 2010, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 9, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

August 9, 2010

**FALLS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-01	Ohio Rev. Code 5705.40 - Appropriation changes not formally approved.	No	Not Corrected. Reissued in the Management Letter
2007-02	Ohio Rev. Code 5705.41(B) - Expenditures exceeded appropriations.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**FALLS TOWNSHIP**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 7, 2010**