



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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WALNUT TOWNSHIP
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

Walnut Township
Fairfield County
11420 Millersport Road
Millersport, Ohio 43046

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 15, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Walnut Township
Fairfield County
11420 Millersport Road
Millersport, Ohio 43046

To the Board of Trustees:

We have audited the accompanying financial statement of Walnut Township, Fairfield County, Ohio, (the Township) as of and for the year ended December 31, 2004. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement 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 opinion.

As described more fully in Note 1, the Township has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statement presents the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statement. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Walnut Township, Fairfield County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, 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.



Betty Montgomery
Auditor of State

December 15, 2006

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$53,783	\$610,620	\$0	\$664,403
Intergovernmental	131,642	187,004	0	318,646
Licenses, Permits, and Fees	0	27,900	0	27,900
Earnings on Investments	20,284	4,002	0	24,286
Other Revenue	7,303	8,055	0	15,358
	<u>213,012</u>	<u>837,581</u>	<u>0</u>	<u>1,050,593</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	200,899	51,169	0	252,068
Public Safety	0	367,765	0	367,765
Public Works	3,990	376,193	0	380,183
Conservation - Recreation	19,965	0	2,481	22,446
Debt Service:				
Redemption of Principal	0	0	9,730	9,730
Interest and Fiscal Charges	0	0	891	891
Capital Outlay	1,414	20,000	40,479	61,893
	<u>226,268</u>	<u>815,127</u>	<u>53,581</u>	<u>1,094,976</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(13,256)</u>	<u>22,454</u>	<u>(53,581)</u>	<u>(44,383)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	74	1,500	10,000	11,574
Transfers-Out	0	(11,500)	(74)	(11,574)
	<u>74</u>	<u>(10,000)</u>	<u>9,926</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(13,182)</u>	<u>12,454</u>	<u>(43,655)</u>	<u>(44,383)</u>
Fund Cash Balances, January 1	415,998	666,543	255,615	1,338,156
	<u>415,998</u>	<u>666,543</u>	<u>255,615</u>	<u>1,338,156</u>
Fund Cash Balances, December 31	<u>\$402,816</u>	<u>\$678,997</u>	<u>\$211,960</u>	<u>\$1,293,773</u>
Reserve for Encumbrances, December 31	<u>\$1,279</u>	<u>\$9,621</u>	<u>\$0</u>	<u>\$10,900</u>

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

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**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Walnut Township, Fairfield County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including the regulation of zoning and road and bridge maintenance. The Township contracts with the Village of Millersport and Pleasant Township for fire and medical services. The Township is also in a joint venture with the Village of Thurston to operate the Thurston-Walnut Township Joint Fire Department which provides fire and medical services.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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).

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds 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:

Road and Bridge Fund - This fund receives property tax, personal property tax, manufactured home tax and homestead and rollback money for constructing, maintaining, and repairing Township roads and bridges.

Fire Operating Fund - This fund receives property tax, personal property tax, manufactured home tax and homestead and rollback money to pay for providing fire and medical emergency services.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Reserve General Fund – This fund accumulates money via transfers from the General Fund for up to five years. The money is to be used to purchase Township equipment, park ground and development of park ground.

Reserve Road and Bridge Fund – This fund accumulates money via transfers from the Road and Bridge Fund for up to five years. The money is to be used to purchase Township vehicles and equipment.

Reserve Fire Fund – This fund accumulates money via transfers from the Fire Operating Levy Fund for up to five years. The money is to be used to assist the Thurston-Walnut Township Joint Fire Department on the purchase of a fire truck.

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, function or object 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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 the budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	<u>\$166,388</u>
Certificates of deposit	<u>1,127,385</u>
Total deposits	<u><u>\$1,293,773</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,654	\$213,086	\$67,432
Special Revenue	826,834	839,081	12,247
Capital Projects	10,000	10,000	0
Total	\$982,488	\$1,062,167	\$79,679

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$480,423	\$227,547	\$252,876
Special Revenue	1,247,613	836,248	411,365
Capital Projects	227,116	53,655	173,461
Total	\$1,955,152	\$1,117,450	\$837,702

4. RESERVE FUNDS

In accordance with Ohio Rev. Code Section 5705.13(B), the Township has established a reserve retirement fund within the Special Revenue Fund type. Also, in accordance with Ohio Rev. Code Section 5705.13(C), the Township has established three capital reserve funds within the Capital Projects Fund type. The purpose and balance of each reserve as of year end, was as follows:

Reserve Fund	Purpose	Balance
Reserve Retirement	Retirement payout	\$ 1,500
Reserve General	Equipment and development	91,882
Reserve Road and Bridge	Road equipment	63,760
Reserve Fire	Fire Equipment	40,000

5. PROPERTY TAX

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

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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20004
(Continued)**

6. DEBT

Debt outstanding at year end was as follows:

	Principal	Interest Rate
Truck Note	\$20,398	3.25%

The loan was issued to finance the purchase of a new truck to be used for Township road maintenance. The Note is collateralized solely by the Township's taxing authority.

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

Year ending December 31:	Principal	Interest	Total
2005	\$10,063	\$559	\$10,622
2006	10,335	287	10,622
Total	\$20,398	\$846	\$21,244

7. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes the contribution rate. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries.

The Township has paid all contributions required through December 31, 2004.

8. 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20004
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004.

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$30,687,203
Liabilities	<u>(13,640,962)</u>
Retained earnings	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2004</u>
Assets	\$7,799,073
Liabilities	<u>(753,906)</u>
Retained earnings	<u>\$7,045,167</u>

Health Care Coverage

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

9. JOINTLY GOVERNED ORGANIZATION

Fairfield County Regional Planning Commission: The Township appoints a representative to the 48 member board of the Fairfield County Regional Planning Commission. The Township pays a membership fee annually. The fee is based on the per capita of the Township's population. The amount contributed during the year was \$909. There is no ongoing financial interest of responsibility by the Township.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20004
(Continued)**

10. JOINT VENTURE

Thurston-Walnut Township Joint Fire Department: The Township contributes a portion every year towards the operation of the Thurston-Walnut Township Joint Fire Department. Monies are provided from the fire levies each year as determined by the annual budget prepared by the Fire Chief of the Thurston-Walnut Township Joint Fire Department. The budget is forwarded to the Village of Thurston Council and Walnut Township Trustees for approval. Upon nonexistence of the Thurston-Walnut Township Joint Fire Department, the assets of the fire department will be divided 70 percent to Walnut Township and 30 percent to the Village of Thurston. The amount contributed to the joint fire department during the year was \$95,740.

11. CONTINGENT LIABILITIES

The Township is the defendant in two lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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**Auditor of State
Betty Montgomery**

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

Walnut Township
Fairfield County
11420 Millersport Road
Millersport, Ohio 43046

To the Board of Trustees:

We have audited the financial statement of Walnut Township, Fairfield County, Ohio (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated December 15, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. 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*. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated December 15, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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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 intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 15, 2006



Mary Taylor, CPA
Auditor of State

WALNUT TOWNSHIP

FAIRFIELD 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
JANUARY 18, 2007**