



**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

WALNUT TOWNSHIP
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

Walnut Township
Fairfield County
11420 Millersport Rd NE
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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 26, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Walnut Township
Fairfield County
11420 Millersport Rd NE
Millersport, Ohio 43046

To the Board of Trustees:

We have audited the accompanying financial statements of Walnut Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Walnut Township, Fairfield County, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 11, for the year ended December 31, 2008, the Township changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits.

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 August 26, 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.



Mary Taylor, CPA
Auditor of State

August 26, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 67,489	\$ 1,164,395	\$ -	\$ 1,231,884
Licenses, Permits, and Fees	12,298	18,425	-	30,723
Intergovernmental	105,189	307,927	234,626	647,742
Earnings on Investments	14,666	4,136	-	18,802
Miscellaneous	643	1,915	-	2,558
	<u>200,285</u>	<u>1,496,798</u>	<u>234,626</u>	<u>1,931,709</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	232,077	40,541	-	272,618
Public Safety	-	913,318	-	913,318
Public Works	6,464	504,023	-	510,487
Human Services	1,497	-	-	1,497
Conservation - Recreation	27,163	-	-	27,163
Capital Outlay	10,202	44,421	235,831	290,454
Debt Service:				
Redemption of Principal	-	48,847	-	48,847
Interest and Other Fiscal Charges	-	3,748	-	3,748
	<u>277,403</u>	<u>1,554,898</u>	<u>235,831</u>	<u>2,068,132</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(77,118)</u>	<u>(58,100)</u>	<u>(1,205)</u>	<u>(136,423)</u>
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds	-	42,000	-	42,000
Sale of Fixed Assets	-	1	-	1
Transfers-In	-	1,500	-	1,500
Transfers-Out	-	(1,500)	-	(1,500)
	<u>-</u>	<u>42,001</u>	<u>-</u>	<u>42,001</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(77,118)	(16,099)	(1,205)	(94,422)
Fund Cash Balances, January 1	<u>738,927</u>	<u>656,236</u>	<u>1,205</u>	<u>1,396,368</u>
Fund Cash Balances, December 31	<u>\$ 661,809</u>	<u>\$ 640,137</u>	<u>\$ -</u>	<u>\$ 1,301,946</u>

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

**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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 66,830	\$ 1,097,589	\$ -	\$ 1,164,419
Licenses, Permits, and Fees	11,764	33,700	-	45,464
Intergovernmental	195,663	335,177	54,715	585,555
Earnings on Investments	37,710	7,772	-	45,482
Miscellaneous	3,932	11,632	-	15,564
	<u>315,899</u>	<u>1,485,870</u>	<u>54,715</u>	<u>1,856,484</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	199,059	46,327	-	245,386
Public Safety	-	944,542	-	944,542
Public Works	5,411	497,287	-	502,698
Health	101	-	-	101
Human Services	875	-	-	875
Conservation - Recreation	31,363	-	-	31,363
Capital Outlay	49,278	312,539	58,390	420,207
Debt Service:				
Redemption of Principal	-	21,490	-	21,490
Interest and Other Fiscal Charges	-	1,073	-	1,073
	<u>286,087</u>	<u>1,823,258</u>	<u>58,390</u>	<u>2,167,735</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>29,812</u>	<u>(337,388)</u>	<u>(3,675)</u>	<u>(311,251)</u>
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds	-	115,000	-	115,000
Sale of Fixed Assets	-	50,000	-	50,000
Transfers-In	-	9,091	-	9,091
Transfers-Out	-	(9,091)	-	(9,091)
	<u>-</u>	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	29,812	(172,388)	(3,675)	(146,251)
Fund Cash Balances, January 1	<u>709,115</u>	<u>828,624</u>	<u>4,880</u>	<u>1,542,619</u>
Fund Cash Balances, December 31	<u><u>\$ 738,927</u></u>	<u><u>\$ 656,236</u></u>	<u><u>\$ 1,205</u></u>	<u><u>\$ 1,396,368</u></u>

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 the 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 road and bridge maintenance and regulation of zoning. The Township contracts with the Village of Millersport, Village of Thurston, and Pleasant Township for fire protection and ambulance service.

The Township participates in one jointly governed organization, one joint venture, and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 7, 8 and 9 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis 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).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits 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.

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.

2. Special Revenue Funds

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Capital Project Fund

This fund accounts 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 fund:

Public Works Project Fund - The Township received grants from the State of Ohio for Cattail Road and Cherry Lane Improvement Projects.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Deposits

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

	2009	2008
Demand deposits	\$ 568,162	\$ 677,414
Certificates of Deposit	733,784	718,954
Total deposits	\$ 1,301,946	\$ 1,396,368

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

3. Budgetary Activity

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 167,360	\$ 200,285	\$ 32,925
Special Revenue	1,436,885	1,540,299	103,414
Capital Projects	292,144	234,626	(57,518)
Total	\$ 1,896,389	\$ 1,975,210	\$ 78,821

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 623,827	\$ 277,607	\$ 346,220
Special Revenue	1,894,755	1,556,506	338,249
Capital Projects	293,348	235,831	57,517
Total	\$ 2,811,930	\$ 2,069,944	\$ 741,986

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 187,643	\$ 315,899	\$ 128,256
Special Revenue	1,481,612	1,659,961	178,349
Capital Projects	92,115	54,715	(37,400)
Total	\$ 1,761,370	\$ 2,030,575	\$ 269,205

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 517,008	\$ 290,144	\$ 226,864
Special Revenue	2,193,857	1,836,399	357,458
Capital Projects	92,115	58,390	33,725
Total	\$ 2,802,980	\$ 2,184,933	\$ 618,047

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

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

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

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Promissory Note - 2008 Dump Truck	\$ 27,965	3.5%
Promissory Note - Medic Unit	30,410	3.5%
Promissory Note - 2009 Dump Truck	35,475	3.5%
Total	\$ 93,850	

The Township issued two Promissory Notes in 2008, one for a dump truck for Township road maintenance and one for a medic unit for the fire department. The Township also issued one Promissory Note in 2009 for another dump truck for Township road maintenance. The Township's taxing authority collateralized the notes.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Promissory Note - 2008 Dump Truck	Promissory Note - Medic Unit	Promissory Note - 2009 Dump Truck
2010	\$ 19,623	\$ 21,336	\$ 15,432
2011	9,682	10,562	14,935
2012	-	-	7,474
Total	<u>\$ 29,305</u>	<u>\$ 31,898</u>	<u>\$ 37,841</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$10,807.

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

Contributions to OTARMA

<u>2009</u>	<u>2008</u>
\$10,100	\$9,162

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Joint Venture

The Township is in a joint venture with the Village of Thurston to operate the Thurston-Walnut Township Joint Fire Department. The Township contributes a portion every year towards the operation of the Thurston-Walnut 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 Village of Thurston Council and Walnut Township Trustees for approval. During 2009 and 2008, the Township contributed \$116,060 and \$150,000 to the Thurston-Walnut Fire Department.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Joint Venture (Continued)

Upon the nonexistence of the Thurston-Walnut Fire Department, the assets of the fire department will be divided with 50% to Walnut Township and 50% Village of Thurston. For more on the Thurston-Walnut Fire Depart, contact the Village of Thurston. The Village accounts for the Fire Department in a separate fund.

9. Jointly Governed Organization

Fairfield Regional Planning Commission – The Township appoints a person to represent the Township on the 48 member board of the Fairfield Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial interest of responsibility by the Township.

10. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.

11. Change in Basis of Accounting

For the year ended December 31, 2008, the Township changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of the fund balances.

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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*

Walnut Township
Fairfield County
11420 Millersport Rd NE
Millersport, Ohio 43046

To the Board of Trustees:

We have audited the financial statements of Walnut Township, Fairfield County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 26, 2010, wherein we noted the Township changed their financial presentation and prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also 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 opinion 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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 26, 2010.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 26, 2010

WALNUT TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Finding for Recovery

On August 28, 2008, the Township received \$400 for the sale of scrap metal. Lisa Ety, the Township's former Zoning Clerk, collected the proceeds for the sale; however, she failed to provide a duplicate deposit slip for the \$400 deposit. In addition, the deposit did not appear in the Township's receipts ledger and bank statement.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex rel. *Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against Lisa Ety, former Zoning Clerk, and the Ohio Township Association Risk Management Authority, her bonding company, jointly and severally, in the amount of \$400, in favor of the Walnut Township Road and Bridge Fund.

Official's Response:

We have put checks and balances in place to prevent this situation from occurring again.

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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
SEPTEMBER 28, 2010**