

WALNUT TOWNSHIP
FAIRFIELD COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2023 & 2022



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Members of the Board of Trustees
Walnut Township
11420 Millersport Rd NE
Millersport, OH 43046-8049

We have reviewed the *Independent Auditor's Report* of Walnut Township, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2022 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Walnut Township is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

December 12, 2024

This page intentionally left blank.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1 - 3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2023	4
Notes to the Financial Statements – For the Year Ended December 31, 2023	5 - 12
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2022	13
Notes to the Financial Statements – For the Year Ended December 31, 2022	14 - 21
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22 - 23
Schedule of Findings and Responses.....	24 - 28
Summary Schedule of Prior Audit Findings.....	29 - 30

This page intentionally left blank.

Independent Auditor's Report

Walnut Township
Fairfield County
11420 Millersport Road
Millersport, Ohio 43046

To the Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Walnut Township, Fairfield County, Ohio, which comprise the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes of Walnut Township, Fairfield County, Ohio, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Walnut Township, as of December 31, 2023 and 2022, or changes in net position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Walnut Township's fund cash balances as of December 31, 2023 and December 31, 2022, are reported at \$4,724,670 and \$4,077,651. Of these totals, \$395,567, or 8% of 2023 total fund cash balances and 10% of 2022 total fund cash balances, relate to two accounts for which no support could be obtained. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fund cash balances for both of these years. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of Walnut Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Except as described in the preceding paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by Walnut Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walnut Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Walnut Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Walnut Township's ability to continue as a going concern for a reasonable period of time.

Walnut Township
Fairfield County
Independent Auditor's Report

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 on our consideration of Walnut Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walnut Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 28, 2024

Walnut Township
Fairfield County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 128,856	\$ 2,540,689	\$ -	\$ 2,669,545
Charges for Services	-	173,929	-	173,929
Licenses, Permits and Fees	4,873	128,512	-	133,385
Intergovernmental	69,950	855,045	-	924,995
Earnings on Investments	12,692	2,899	-	15,591
Miscellaneous	5,481	84,710	-	90,191
<i>Total Cash Receipts</i>	<u>221,852</u>	<u>3,785,784</u>	<u>-</u>	<u>4,007,636</u>
Cash Disbursements				
Current:				
General Government	195,655	529,566	-	725,221
Public Safety	-	1,608,177	-	1,608,177
Public Works	-	581,119	-	581,119
Human Services	-	50,827	-	50,827
Conservation-Recreation	765	9,589	-	10,354
Capital Outlay	-	260,286	119,608	379,894
Debt Service:				
Principal Retirement	-	5,278	-	5,278
<i>Total Cash Disbursements</i>	<u>196,420</u>	<u>3,044,842</u>	<u>119,608</u>	<u>3,360,870</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,432</u>	<u>740,942</u>	<u>(119,608)</u>	<u>646,766</u>
Other Financing Receipts				
Sale of Capital Assets	-	253	-	253
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>253</u>	<u>-</u>	<u>253</u>
<i>Net Change in Fund Cash Balances</i>	25,432	741,195	(119,608)	647,019
<i>Fund Cash Balances, January 1</i>	<u>650,179</u>	<u>3,059,972</u>	<u>367,500</u>	<u>4,077,651</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 675,611</u>	<u>\$ 3,801,167</u>	<u>\$ 247,892</u>	<u>\$ 4,724,670</u>

See accompanying notes to the financial statement

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Walnut Township, Fairfield County, (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, cemetery maintenance, fire protection and emergency medical services.

Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in a jointly governed organization and a public entity risk pool. Notes 7 and 10 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activity for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant special revenue fund:

Fire Operating Fund This fund receives property tax money to provide fire and medical emergency services for Township residents.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

FEMA Fund The township received a grant from FEMA for the construction of a tornado shelter for the Township residents.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function and program level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2023 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Compliance

- A. Contrary to Ohio Revised Code Section 5705.38(A), the Township did not pass appropriations in a timely manner.
- B. Contrary to Ohio Revised Code Section 5705.38(C), the Township did not pass appropriations at the minimum legal level of control.
- C. Contrary to Ohio Revised Code Section 5705.41(B) and 5705.40, the Township had disbursements in excess of appropriations for the American Rescue Plan Fund and the FEMA Fund.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

- D.** Contrary to Ohio Revised Code Section 145.47(B), the Township did not properly withhold and remit amounts required by the Ohio Public Employees Retirement System.
- E.** Contrary to Ohio Revised Code Section 121.22(C), the Township did not properly maintain Board of Trustee meeting minutes.
- F.** Contrary to Ohio Revised Code Section 507.09(D), the Township did not maintain supporting documentation for payroll fund allocations for the Fiscal Officer and Administrative Assistant.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	218,846	221,852	\$ 3,006
Special Revenue	3,944,881	3,786,037	\$ (158,844)
Capital Projects	32,500	-	\$ (32,500)
Total	4,196,227	4,007,889	\$ (188,338)

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	339,140	261,283	77,857
Special Revenue	4,262,467	3,362,279	900,188
Capital Projects	-	216,200	(216,200)
Total	4,601,607	3,839,762	761,845

Note 5 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

Cash Management Pool:	2023
Demand deposits	\$4,173,858
Certificates of deposit	395,567
Other time deposits (Money Market)	155,245
Total deposits	4,724,670

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2023, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 7 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2023</u>
Cash and investments	\$33,494,457
Actuarial liabilities	\$10,885,549

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include post-employment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Ohio Police and Fire Retirement System

Some Township certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include post-employment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2023.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 10 – Jointly Governed Organizations

The Township appoints a person to represent the Township on the 48-member board of 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 or responsibility by the Township.

Note 11 – Debt

Debt outstanding at December 31, 2023 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC) Loan #CQ10U	\$23,751	0%

OPWC Loan (CQ10U) was issued in 2019 for Cherry Lane Improvements. OPWC approved up to \$128,308 in a loan to the Township for this project. The Township repays the loan in semiannual installments of \$2,639 over 10 years. The interest-free loan will be retired from the Road and Bridge fund (Special Revenue Fund Type). This loan will mature in 2028.

Amortization

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

<u>Year Ending December 31:</u>	<u>OPWC Loan</u>
2024	\$5,278
2025	5,278
2026	5,278
2027	5,278
2028	<u>2,639</u>
Total	<u>\$23,751</u>

Note 12 – 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.

Note 13 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Outstanding Encumbrances	\$64,863	\$317,438	\$96,592

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2023

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – Subsequent Events

Amy Amspaugh became the Fiscal Officer effective August 6, 2024.

Note 15 – Interfund Balances

Outstanding advances at December 31, 2023, consisted of \$400,000 advanced to the FEMA fund from the general fund to provide working capital for the tornado shelter.

Walnut Township
Fairfield County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 100,802	\$ 2,363,336	\$ -	\$ 2,464,138
Charges for Services	-	197,621	-	197,621
Licenses, Permits and Fees	5,290	105,200	-	110,490
Intergovernmental	114,480	700,095	316,940	1,131,515
Earnings on Investments	2,460	529	-	2,989
Miscellaneous	18,517	35,348	-	53,865
<i>Total Cash Receipts</i>	<u>241,549</u>	<u>3,402,129</u>	<u>316,940</u>	<u>3,960,618</u>
Cash Disbursements				
Current:				
General Government	193,487	204,747	-	398,234
Public Safety	-	1,481,100	-	1,481,100
Public Works	1,795	651,064	-	652,859
Health	22,578	178	-	22,756
Human Services	1,000	-	-	1,000
Conservation-Recreation	2,261	4,124	-	6,385
Capital Outlay	-	-	349,440	349,440
Debt Service:				
Principal Retirement	-	5,278	-	5,278
<i>Total Cash Disbursements</i>	<u>221,121</u>	<u>2,346,491</u>	<u>349,440</u>	<u>2,917,052</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,428</u>	<u>1,055,638</u>	<u>(32,500)</u>	<u>1,043,566</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	18,850	-	18,850
Advances In	-	-	400,000	400,000
Advances Out	(400,000)	-	-	(400,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(400,000)</u>	<u>18,850</u>	<u>400,000</u>	<u>18,850</u>
<i>Net Change in Fund Cash Balances</i>	(379,572)	1,074,488	367,500	1,062,416
<i>Fund Cash Balances, January 1</i>	<u>1,029,751</u>	<u>1,985,484</u>	<u>-</u>	<u>3,015,235</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 650,179</u>	<u>\$ 3,059,972</u>	<u>\$ 367,500</u>	<u>\$ 4,077,651</u>

See accompanying notes to the financial statement

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Walnut Township, Fairfield County, (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, cemetery maintenance, fire protection and emergency medical services.

Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in a jointly governed organization and a public entity risk pool. Notes 8 and 13 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activity for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant special revenue funds:

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

Fire Operating Fund This fund receives property tax money to provide fire and medical emergency services for Township residents.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

FEMA Fund The township received a grant from FEMA for the construction of a tornado shelter for the Township residents.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function and program level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2022 budgetary activity appears in Note 4.

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.

Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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
For the Year Ended December 31, 2022

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 3 – Compliance

- A.** Contrary to Ohio Revised Code Section 5705.38(A), the Township did not pass appropriations in a timely manner.
- B.** Contrary to Ohio Revised Code Section 5705.38(C), the Township did not pass appropriations at the minimum legal level of control.
- C.** Contrary to Ohio Revised Code Section 145.47(B), the Township did not properly withhold and remit amounts required by the Ohio Public Employees Retirement System.
- D.** Contrary to Ohio Revised Code Section 121.22(C), the Township did not properly maintain Board of Trustee meeting minutes.
- E.** Contrary to Ohio Revised Code Section 507.09(D), the Township did not maintain supporting documentation for payroll fund allocations for the Fiscal Officer and Administrative Assistant.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,237	\$241,549	\$69,312
Special Revenue	3,479,444	3,420,979	(58,465)
Capital Projects	400,000	716,940	316,940
Total	\$4,051,681	\$4,379,468	\$327,787

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$638,099	\$621,121	\$16,978
Special Revenue	3,593,627	2,349,450	1,244,177
Capital Projects	400,000	349,440	50,560
Total	\$4,631,726	\$3,320,011	\$1,311,715

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	<u>2022</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$3,527,611
Certificates of deposit	395,567
Other time deposits (Money Market)	<u>154,473</u>
Total deposits	<u>4,077,651</u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 7 – Interfund Balances

Outstanding advances at December 31, 2022, consisted of \$400,000 advanced to the FEMA fund from the general fund to provide working capital for the tornado shelter.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty;
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2022</u>
Cash and investments	\$32,288,098
Actuarial liabilities	\$9,146,434

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include post-employment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2022.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2022.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Postemployment Benefits

OPERS offer a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Note 11 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission (OPWC) Loan #CQ10U	\$29,028	0%

OPWC Loan (CQ10U) was issued in 2019 for Cherry Lane Improvements. OPWC approved up to \$128,308 in a loan to the Township for this project. The Township repays the loan in semiannual installments of \$2,639 over 10 years. The interest-free loan will be retired from the Road and Bridge fund (Special Revenue Fund Type). This loan will mature in 2028.

Amortization

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

Year Ending December 31:	OPWC Loan
2023	\$5,278
2024	5,278
2025	5,278
2026	5,278
2027	5,278
2028	2,638
Total	\$29,028

Note 12 – 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.

Walnut Township
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 13 – Jointly Governed Organizations

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 or responsibility by the Township.

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>Special Revenue</u>
Outstanding Encumbrances	<u>\$2,959</u>

The fund balance of special revenue funds is either restricted or committed. These restricted or committed, amounts in the special revenue funds would including the outstanding encumbrances.

Note 15 – Subsequent Events

Amy Amspaugh became the Fiscal Officer effective August 6, 2024.

Note 16 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The Township will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Walnut Township
Fairfield County
11420 Millersport Road
Millersport, Ohio 43046

To the Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type of Walnut Township, Fairfield County, Ohio, as of and for the years ended December 31, 2023, and 2022 and the related notes to the financial statements and have issued our report thereon dated October 28, 2024, wherein we noted as described in Note 2 to the financial statements, Walnut Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also qualified our opinion due to a lack of sufficient appropriate audit evidence to support the fund cash balances as of December 31, 2023 and 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walnut Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walnut Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Walnut Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Walnut Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 through 2023-003, 2023-005 through 2023-007, and 2023-009 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-004 and 2023-008 to be significant deficiencies.

Walnut Township

Fairfield County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walnut Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001 through 2023-004 and 2023-007 through 2023-008.

Walnut Township's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on Walnut Township's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Walnut Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walnut Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

October 28, 2024

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2023-001

Material Weakness/Noncompliance – Appropriations

Ohio Revised Code Section 5705.38(A) requires the following for appropriations for a Township: “On or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.”

The Township’s permanent appropriations for the years ended 2022 and 2023 were not passed until January 25, 2022 (no date on temporary appropriations, nor documentation within the minutes) and March 31, 2023 (no known temporary appropriations), respectfully.

By not passing appropriations in a timely manner, the Township risks insufficient oversight over expenditures since the Township Trustee’s will not have sufficiently detailed budget vs actual information available to them.

We recommend the Township pass temporary appropriations before the beginning of the fiscal year per the ORC above, with the permanent appropriations being passed no later than April 1.

Client Response: Fiscal Officer and Administrator will be passing 2025 Temp Appropriations at the December 20, 2024 Special Board Meeting. Will be working on filing in a timely manner.

Finding Number	2023-002
----------------	----------

Material Weakness/Noncompliance - Minimum Legal of Control

Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for Townships: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services”.

The Township’s appropriations for the years ended 2023 and 2022 were passed at the fund level.

By not passing appropriations at the minimum legal level of control, the Township risks insufficient oversight over the disbursements within departments and divisions.

We recommend the Township pass appropriations at the object level of each fund, but at a minimum, pass appropriations at the personal services level within each office, department, and division.

Client Response: The Fiscal Officer and Administrator will be expanding the detail that the Township expends funds for 2025 to include object level.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2023-003

Material Weakness/Noncompliance – Disbursements Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. Also, the Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

The Township had disbursements exceeding appropriations in the following funds for 2023:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
American Rescue Plan Fund	\$264,000	\$437,056	\$173,056
FEMA Fund	-	\$216,200	\$216,200

With disbursements exceeding appropriations, the Township is expending monies that have not been appropriated, which may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend the Township comply with Ohio Revised Code Sections 5705.41(B) and 5705.40 and the Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely and on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Fiscal Officer has discussed with the auditors to better understand what is needed.

Finding Number	2023-004
----------------	----------

Significant Deficiency/Noncompliance – Allocating Compensation

Ohio Revised Code Section 507.09(D) requires that the annual salary for the fiscal officer shall be paid from the Township general fund or from other township funds in such proportions as the board of trustees may specify by resolution. The fiscal officer shall certify the percentage of time spent working on matters to be paid from those funds.

The Township had paid 95% of the fiscal officer’s and the administrative assistant’s salaries from the fire levy fund and 5% from the general fund during 2022. In June 2023, the allocation was changed to 80% from the fire levy fund, 5% from the general fund, and 15% from the zoning fund. The Township could not provide any supporting documentation supporting why the allocations are reasonable.

By not having proper supporting documentation, we were unable to determine whether wage allocations for each fund are reasonable.

We recommend the Township maintain supporting documentation of all wages that are allocated between funds. Additionally, if the Township decides to allocate wages to restricted funds, documentation should be maintained to record the time spent on other areas such as fire services, and road and bridge maintenance. This should assist the Township in creating a more reasonable allocation.

Client Response: The Fiscal Officer and Administrator are addressing the salaries and accounts that are being charged in a more representative manner.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2023-005

Material Weakness - Bank Reconciliation

The Township’s bank balances should be reconciled on a monthly basis, shortly after month end. Further, the bank reconciliations along with the supporting documentation should be submitted to the Township Trustees for review and approval at the meeting date following month end.

In 2023 and 2022, the Township was not able to reconcile their balances due to numerous outstanding checks and deposits in transit already cleared in the prior years or needed to be voided. The Township hired an outside consultant to assist with uncovering these errors and posting to them to the Township's system. Furthermore, the Township was unable to provide support for certain investment accounts, which were included as part of the monthly reconciliation. This led to a qualification of opinion for 2023 and 2022.

Not providing the Township Trustees with timely and accurate monthly reconciliations results in the Township Trustees relying on misrepresentation in which they base their decisions.

We recommend the Township Fiscal Officer timely reconcile its bank balances to ensure the activity posted within its system is correct. The Township should also review the outstanding items to verify they are truly outstanding.

Client Response: The Township had worked with the auditors to see what transactions had been cleared and which need to be voided out. Township will pay closer attention to these areas to make sure bank balances are correct. UAN will include all accounts including EMS Accounts that are not included now.

Finding Number	2023-006
----------------	----------

Material Weakness – Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Certain adjustments were made to the financial statements and note disclosures for the years ended December 31, 2023 and 2022, to properly state financial statement amounts. The audited financial statements, note disclosures and Township records have been adjusted for the misstatements identified during the audit.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Township’s activity.

We recommend the Township implement additional control procedures that enable management to more timely prevent, detect and correct potential misstatements in the financial statements prior to presenting them to the auditors. Further, we recommend the Township review the adjustments noted during the audit and incorporate them into future reports.

Client Response: The Township will consult with State Audit and Township accounting firm to review in future. Board Meeting date has been changed to 3rd Wednesday to allow for the Fiscal Office to timely reconcile accounts from Bank Statements and have Trustees to get reports in a timelier manner.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2023-007

Material Weakness/Noncompliance – Retirement Contributions and Payroll Controls

Ohio Revised Code Section 145.47(B) states the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. Additionally, payroll processing controls should be in place to ensure all monies associated with an employee's pay are properly accounted, are paid in accordance with approved agreements, and withholdings are accurate and timely remitted.

The Township has certain payroll controls in place to determine employees' pay and associated withholdings are accurate. While employees' gross pay calculations appear reasonable and proper, it was noted there were discrepancies associated with the withholding amounts for retirement as well as contribution amounts paid to the Ohio Public Employees Retirement System (OPERS). Employee and employer portions of retirement withholdings were not properly withheld for all wages subject to retirement contributions for one employee enrolled in OPERS. In addition, it was noted that the Township was not timely remitting to OPERS during 2022 and 2023. As a result, the Township had paid penalties and interest for the late payments and for employees' not having OPERS properly withheld during 2022 and 2023. It was also noted during testing of payroll controls that timesheets that are filled out by employees were not signed off and approved by their supervisor for multiple employees during fiscal year 2023 and 2022.

Failure to remit withholdings and the employer share timely could result in the Township being assessed unnecessary penalties and interest. Failure to look over timesheets could result in employees being overpaid, which is not a proper public purpose.

We recommend the required correct OPERS reports be prepared and submitted, and the amounts withheld be properly remitted, in accordance with the OPERS' due dates. The employer share should also be timely remitted alongside the withholdings. Timesheets should also be reviewed and signed by the employee's supervisor and by the fiscal officer during the review of the pay period expenditures.

Client Response: The Township will review all employees and future employees to determine whatever or not they should contribute to OPERS and implement controls to ensure fraudulent activity is prevented, detected, and deterred. During 2022, the Township had paid the employee and employer past due amounts along with the interest amounts.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2023-008

Significant Deficiency/Noncompliance – Meeting Minutes

Ohio Revised Code Section 121.22(C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

The Township did not promptly prepare or file multiple meeting minutes for the years 2023 and 2022. As a result, multiple meeting minutes were not readily available to the public for inspection.

By not properly maintaining the minutes, the Township may not be able to comply with public records requests and is also not providing transparent documentation of their operations to the community.

We recommend that the Township promptly prepare and file its minutes within a reasonable time after the public meeting has been adjourned. We also recommend that the Township maintain its minutes on the Township’s website and within a binder in the Township’s main building.

Client Response: The Township has been working on preparing, filing, and maintaining meeting minutes for the public to inspect. Working on updating as soon as Board approves.

Finding Number	2023-009
----------------	----------

Material Weakness – Nonpayroll Controls

Effective internal controls are vital to ensure that transactions conducted by the Township are appropriate and reasonable. During the review of disbursements for fiscal years 2023 and 2022, we found several critical control deficiencies in the existing control framework:

- Lack of Required Signatures: Purchase orders were not consistently signed by the Fiscal Officer and/or the Board of Trustees.
- Inadequate Transaction Review: The Board of Trustees did not review a comprehensive list of transactions – including date, vendor, description, amount, and account code – during the monthly meetings.

The inconsistent application of internal controls increases the risk of undetected fraudulent activities and undermines the financial integrity of the Township.

We recommend that all purchase orders are signed by both the Fiscal Officer and the Board of Trustees, and establish a process for the Board of Trustees to review a detailed list of transactions at each monthly meeting. Implementing these recommendations will significantly enhance the Township’s internal control environment and improve its ability to detect, prevent and deter fraudulent activities.

Client Response: The Township will implement all of these controls in the future to help prevent, detect, and deter fraudulent activity. All PO and checks will have Wet Signatures for Fiscal Officer and at least two Trustees.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2021-001	2021	<u>Material Weakness/Noncompliance – Appropriations</u> – Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, the taxing authority shall pass an appropriation measure, or postpone the annual appropriation measure to no later than the first day of April by passing a temporary appropriation. The Township did not pass permanent appropriations timely for 2021 and 2020.	Not Corrected	Reissued as Finding 2023-001 as appropriation measures for 2023 and 2022 were not passed by the Board of Trustees timely.
2021-002	2021	<u>Material Weakness/Noncompliance – Minimum Legal Level of Control</u> – Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for Townships should be set forth as appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. The Township’s appropriations for the years ended 2021 and 2020 were passed at the fund level.	Not Corrected	Reissued as Finding 2023-002 as appropriations were passed at the fund level for 2023 and 2022.
2021-003	2021	<u>Material Weakness/Noncompliance – Disbursements Exceeding Appropriations</u> – Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. Ohio Revised Code 5705.40 requires that any amendments to an appropriation measurer be made by resolution. During years 2021 and 2020, the Township had multiple funds where disbursements exceeded appropriations.	Not Corrected	Reissued as Finding 2023-003 as the Township had multiple funds where disbursements exceeded appropriations for 2023.
2021-004	2019	<u>Noncompliance – Purchase Order Noncompliance</u> – Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate from the fiscal officer affirming that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Township had 44% and 33% of disbursements tested that were not timely certified for the years ended December 31, 2021 and 2020, respectively.	Partially Corrected	Reissued as a Management Letter Comment.
2021-005	2021	<u>Significant Deficiency – Bank Reconciliation</u> – The Township’s bank balances should be reconciled on a monthly basis, shortly after month end. In 2021 and 2020, the Township was not able to reconcile their balances due to numerous outstanding checks and deposits in transit already cleared in the prior years or needed to be voided.	Not Corrected	Reissued as Finding 2023-005 as the Township's bank balances were not properly reconciled for 2023 or 2022.

**WALNUT TOWNSHP
FAIRFIELD COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2021-006	2019	<u>Material Weakness – Financial Statement Presentation</u> – Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Various audit adjustments were made to correct misstatements identified in the audit of the Township’s financial statements for the years ended December 31, 2021 and 2020.	Not Corrected	Reissued as Finding 2023-006 as adjustments were posted for 2023 and 2022.
2021-007	2021	<u>Material Weakness – Retirement Contributions</u> – Ohio Revised Code Section 145.47(B) states the head of each state department, institution, board, and commission, and the fiscal officer of each local authority shall transmit to the system for each contributor for each contributor subsequent to the date of coverage an amount equal to the applicable percent of each contributor’s earnable salary at such intervals and in such form as the as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. The Township did not withhold and remit the amounts required by the Ohio Public Employees Retirement system for an employee originally hired in 2017.	Not Corrected	Reissued as Finding 2023-007 as the Township did not properly remit pension remittances in 2023 and 2022.
2021-008	2021	<u>Significant Deficiency/Noncompliance – Meeting Minutes</u> – Ohio Revised Code Section 121.22(C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The Township did not properly maintain multiple meeting minutes for the years 2021 and 2020. As a result, multiple meeting minutes were missing and could not be located.	Not Corrected	Reissued as Finding 2023-008 as meeting minutes were not properly maintained for 2023 and 2022.

OHIO AUDITOR OF STATE KEITH FABER



WALNUT TOWNSHIP

FAIRFIELD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/24/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov