



**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – December 31, 2007	3
Statement of Activities – Cash Basis – For the Year Ended December 31, 2007	4
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2007	5
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2007	6
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	7
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund	8
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Operating Fund	9
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – December 31, 2006	10
Statement of Activities – Cash Basis – For the Year Ended December 31, 2006	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2006	12
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2006	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Operating Fund	16
Notes to the Basic Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29
Schedule of Prior Audit Findings	31

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Walnut Township
Fairfield County
11420 Millersport Road SE
Millersport, Ohio 43046

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Township, Fairfield County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Township, Fairfield County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Road and Bridge, and Fire Operating Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2008 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.

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.

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

Mary Taylor, CPA
Auditor of State

September 8, 2008

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

***Statement of Net Assets - Cash Basis
December 31, 2007***

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,542,618.40
<i>Total Assets</i>	<u><u>\$1,542,618.40</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$4,879.61
Other Purposes	828,624.16
Unrestricted	709,114.63
<i>Total Net Assets</i>	<u><u>\$1,542,618.40</u></u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Activities - Cash Basis
For the Year Ended December 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$254,318.60	\$36,135.00	\$0.00	(\$218,183.60)
Public Safety	851,906.66	100.00	0.00	(851,806.66)
Public Works	512,138.02	0.00	131,496.46	(380,641.56)
Conservation-Recreation	28,835.92	0.00	0.00	(28,835.92)
Capital Outlay	64,005.81	0.00	0.00	(64,005.81)
<i>Total Governmental Activities</i>	1,711,205.01	36,235.00	131,496.46	(1,543,473.55)
General Receipts				
Property Taxes				\$1,138,390.15
Other Taxes				6,629.23
Grants and Entitlements not Restricted to Specific Programs				284,892.13
Cable Franchise Fees				10,686.15
Earnings on Investments				64,196.72
Miscellaneous				25,911.25
<i>Total General Receipts</i>				1,530,705.63
Change in Net Assets				(12,767.92)
<i>Net Assets Beginning of Year</i>				1,555,386.32
<i>Net Assets End of Year</i>				<u>\$1,542,618.40</u>

See accompanying notes to the basic financial statements

WALNUT TOWNSHIP
FAIRFIELD COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	GENERAL	ROAD AND BRIDGE	FIRE FUND OPERATING LEVY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Equity in Pooled Cash and Cash Equivalents	\$709,114.63	\$165,079.76	\$335,649.20	\$332,774.81	\$1,542,618.40
<i>Total Assets</i>	<u>\$709,114.63</u>	<u>\$165,079.76</u>	<u>\$335,649.20</u>	<u>\$332,774.81</u>	<u>\$1,542,618.40</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$954.36	\$615.54	\$1,062.02	\$1,018.03	\$3,649.95
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	708,160.27	0.00	0.00	0.00	708,160.27
Special Revenue Funds	0.00	164,464.22	334,587.18	326,877.17	825,928.57
Capital Projects Funds	0.00	0.00	0.00	4,879.61	4,879.61
<i>Total Fund Balances</i>	<u>\$709,114.63</u>	<u>\$165,079.76</u>	<u>\$335,649.20</u>	<u>\$332,774.81</u>	<u>\$1,542,618.40</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	GENERAL	ROAD AND BRIDGE	FIRE FUND OPERATING LEVY	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$57,438.07	\$255,826.81	\$831,754.50	\$0.00	\$1,145,019.38
Licenses, Permits and Fees	10,686.15	100.00	0.00	36,135.00	46,921.15
Intergovernmental	151,770.92	31,585.88	100,011.33	122,562.42	405,930.55
Earnings on Investments	60,196.16	0.00	0.00	12,934.60	73,130.76
Miscellaneous	8,644.59	14,527.26	1.00	4,262.40	27,435.25
Total Receipts	288,735.89	302,039.95	931,766.83	175,894.42	1,698,437.09
Disbursements					
Current:					
General Government	202,370.71	0.00	0.00	51,947.89	254,318.60
Public Safety	0.00	0.00	851,906.66	0.00	851,906.66
Public Works	5,241.88	342,825.91	0.00	164,070.23	512,138.02
Conservation-Recreation	28,835.92	0.00	0.00	0.00	28,835.92
Capital Outlay	39,755.81	24,250.00	0.00	0.00	64,005.81
Total Disbursements	276,204.32	367,075.91	851,906.66	216,018.12	1,711,205.01
Excess of Receipts Over (Under) Disbursements	12,531.57	(65,035.96)	79,860.17	(40,123.70)	(12,767.92)
Other Financing Sources (Uses)					
Transfers In	0.00	0.00	0.00	1,500.00	1,500.00
Transfers Out	0.00	(750.00)	0.00	(750.00)	(1,500.00)
Total Other Financing Sources (Uses)	0.00	(750.00)	0.00	750.00	0.00
Net Change in Fund Balances	12,531.57	(65,785.96)	79,860.17	(39,373.70)	(12,767.92)
Fund Balances Beginning of Year	696,583.06	230,865.72	255,789.03	372,148.51	1,555,386.32
Fund Balances End of Year	<u>\$709,114.63</u>	<u>\$165,079.76</u>	<u>\$335,649.20</u>	<u>\$332,774.81</u>	<u>\$1,542,618.40</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$55,200.00	\$55,200.00	\$57,438.07	\$2,238.07
Licenses, Permits and Fees	6,760.00	6,760.00	10,686.15	3,926.15
Intergovernmental	71,575.00	71,575.00	151,770.92	80,195.92
Earnings on Investments	20,000.00	20,000.00	60,196.16	40,196.16
Miscellaneous	500.00	500.00	8,644.59	8,144.59
<i>Total receipts</i>	<u>154,035.00</u>	<u>154,035.00</u>	<u>288,735.89</u>	<u>134,700.89</u>
Disbursements				
Current:				
General Government	297,300.00	322,300.00	203,121.04	119,178.96
Public Works	7,000.00	7,000.00	5,241.88	1,758.12
Health	3,000.00	3,000.00	0.00	3,000.00
Human Services	3,000.00	3,000.00	0.00	3,000.00
Conservation-Recreation	43,300.00	44,500.00	29,039.95	15,460.05
Capital Outlay	95,000.00	93,800.00	39,755.81	54,044.19
<i>Total Disbursements</i>	<u>448,600.00</u>	<u>473,600.00</u>	<u>277,158.68</u>	<u>196,441.32</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(294,565.00)</u>	<u>(319,565.00)</u>	<u>11,577.21</u>	<u>331,142.21</u>
Other Financing (Uses)				
Transfers Out	(10,000.00)	(10,000.00)	0.00	10,000.00
<i>Total Other Financing (Uses)</i>	<u>(10,000.00)</u>	<u>(10,000.00)</u>	<u>0.00</u>	<u>10,000.00</u>
<i>Net Change in Fund Balance</i>	<u>(304,565.00)</u>	<u>(329,565.00)</u>	<u>11,577.21</u>	<u>341,142.21</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>696,583.06</u>	<u>696,583.06</u>	<u>696,583.06</u>	<u>0.00</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$392,018.06</u>	<u>\$367,018.06</u>	<u>\$708,160.27</u>	<u>\$341,142.21</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$244,600.00	\$244,600.00	\$255,826.81	\$11,226.81
Licenses, Permits and Fees	50.00	50.00	100.00	50.00
Intergovernmental	28,000.00	28,000.00	31,585.88	3,585.88
Miscellaneous	2,999.96	2,999.96	14,527.26	11,527.30
<i>Total receipts</i>	<u>275,649.96</u>	<u>275,649.96</u>	<u>302,039.95</u>	<u>26,389.99</u>
Disbursements				
Current:				
Public Works	342,800.00	398,300.00	343,441.45	54,858.55
Capital Outlay	80,000.00	24,500.00	24,250.00	250.00
<i>Total Disbursements</i>	<u>422,800.00</u>	<u>422,800.00</u>	<u>367,691.45</u>	<u>55,108.55</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(147,150.04)</u>	<u>(147,150.04)</u>	<u>(65,651.50)</u>	<u>81,498.54</u>
Other Financing (Uses)				
Transfers Out	(750.00)	(750.00)	(750.00)	0.00
<i>Total Other Financing (Uses)</i>	<u>(750.00)</u>	<u>(750.00)</u>	<u>(750.00)</u>	<u>0.00</u>
<i>Net Change in Fund Balance</i>	<u>(147,900.04)</u>	<u>(147,900.04)</u>	<u>(66,401.50)</u>	<u>81,498.54</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>230,865.72</u>	<u>230,865.72</u>	<u>230,865.72</u>	<u>0.00</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$82,965.68</u>	<u>\$82,965.68</u>	<u>\$164,464.22</u>	<u>\$81,498.54</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Operating Fund
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$800,000.00	\$800,000.00	\$831,754.50	\$31,754.50
Intergovernmental	90,000.00	90,000.00	100,011.33	10,011.33
Miscellaneous	1.00	1.00	1.00	0.00
<i>Total receipts</i>	<u>890,001.00</u>	<u>890,001.00</u>	<u>931,766.83</u>	<u>41,765.83</u>
Disbursements				
Current:				
Public Safety	925,750.00	1,077,750.00	852,968.68	224,781.32
Capital Outlay	20,000.00	20,000.00	0.00	20,000.00
<i>Total Disbursements</i>	<u>945,750.00</u>	<u>1,097,750.00</u>	<u>852,968.68</u>	<u>244,781.32</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(55,749.00)</u>	<u>(207,749.00)</u>	<u>78,798.15</u>	<u>286,547.15</u>
<i>Net Change in Fund Balance</i>	<u>(55,749.00)</u>	<u>(207,749.00)</u>	<u>78,798.15</u>	<u>286,547.15</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>255,789.03</u>	<u>255,789.03</u>	<u>255,789.03</u>	<u>0.00</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$200,040.03</u>	<u>\$48,040.03</u>	<u>\$334,587.18</u>	<u>\$286,547.15</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

***Statement of Net Assets - Cash Basis
December 31, 2006***

	Governmental Activities
Assets	
Cash	\$9,604.46
Investments	1,545,781.86
<i>Total Assets</i>	<u><u>\$1,555,386.32</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$4,879.61
Other Purposes	853,923.65
Unrestricted	696,583.06
<i>Total Net Assets</i>	<u><u>\$1,555,386.32</u></u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Activities - Cash Basis
For the Year Ended December 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$245,591.62	\$40,481.50	\$0.00	(\$205,110.12)
Public Safety	393,909.25	75.00	0.00	(\$393,834.25)
Public Works	378,558.80	0.00	151,068.05	(\$227,490.75)
Health	391.98	0.00	0.00	(\$391.98)
Conservation-Recreation	23,114.19	0.00	0.00	(\$23,114.19)
Capital Outlay	182,510.02	0.00	0.00	(\$182,510.02)
Debt Service:				
Principal	10,335.00	0.00	0.00	(10,335.00)
Interest	286.74	0.00	0.00	(286.74)
	1,234,697.60	40,556.50	151,068.05	(1,043,073.05)
General Receipts				
Property Taxes				\$704,742.53
Other Taxes				7,888.38
Grants and Entitlements not Restricted to Specific Programs				471,293.75
Earnings on Investments				63,133.65
Miscellaneous				18,451.56
				1,265,509.87
<i>Total General Receipts</i>				1,265,509.87
Change in Net Assets				222,436.82
<i>Net Assets Beginning of Year</i>				1,332,949.50
<i>Net Assets End of Year</i>				\$1,555,386.32

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006**

	GENERAL	ROAD AND BRIDGE	FIRE FUND OPERATING LEVY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Cash	\$696,583.06	\$230,865.72	\$255,789.03	\$372,148.51	\$1,555,386.32
<i>Total Assets</i>	<u>\$696,583.06</u>	<u>\$230,865.72</u>	<u>\$255,789.03</u>	<u>\$372,148.51</u>	<u>\$1,555,386.32</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	696,583.06	0.00	0.00	0.00	696,583.06
Special Revenue Funds	0.00	230,865.72	255,789.03	367,268.90	853,923.65
Capital Projects Funds	0.00	0.00	0.00	4,879.61	4,879.61
<i>Total Fund Balances</i>	<u>\$696,583.06</u>	<u>\$230,865.72</u>	<u>\$255,789.03</u>	<u>\$372,148.51</u>	<u>\$1,555,386.32</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Cash Receipts, Disbursements and Changes In Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	GENERAL	ROAD AND BRIDGE	FIRE FUND OPERATING LEVY	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$57,701.53	\$249,011.34	\$405,918.04	\$0.00	\$712,630.91
Licenses, Permits and Fees	0.00	75.00	0.00	40,481.50	40,556.50
Intergovernmental	300,512.18	28,627.83	46,058.08	237,851.91	613,050.00
Earnings on Investments	58,275.39	0.00	0.00	14,170.06	72,445.45
Miscellaneous	7,796.28	8,544.38	1.00	2,109.90	18,451.56
Total Receipts	424,285.38	286,258.55	451,977.12	294,613.37	1,457,134.42
Disbursements					
Current:					
General Government	184,081.16	0.00	0.00	61,510.46	245,591.62
Public Safety	0.00	0.00	393,909.25	0.00	393,909.25
Public Works	5,231.23	248,776.05	0.00	124,551.52	378,558.80
Health	391.98	0.00	0.00	0.00	391.98
Conservation-Recreation	23,114.19	0.00	0.00	0.00	23,114.19
Capital Outlay	26,189.91	31,377.81	20,000.00	104,942.30	182,510.02
Debt Service:					
Principal Retirement	0.00	10,355.00	0.00	0.00	10,355.00
Interest and Fiscal Charges	0.00	286.74	0.00	0.00	286.74
Total Disbursements	239,008.47	290,775.60	413,909.25	291,004.28	1,234,697.60
Excess of Receipts Over (Under) Disbursements	185,276.91	(4,517.05)	38,067.87	8,943.51	222,436.82
Other Financing Sources (Uses)					
Transfers In	75,361.68	31,011.01	10,000.00	1,500.00	117,872.69
Transfers Out	0.00	(750.00)	0.00	(117,122.69)	(117,872.69)
Total Other Financing Sources (Uses)	75,361.68	30,261.01	10,000.00	(115,622.69)	0.00
Net Change in Fund Balances	260,638.59	25,743.96	48,067.87	(106,679.18)	222,436.82
Fund Balances Beginning of Year	435,944.47	205,121.76	207,721.16	484,162.11	1,332,949.50
Fund Balances End of Year	<u>\$696,583.06</u>	<u>\$230,865.72</u>	<u>\$255,789.03</u>	<u>\$377,482.93</u>	<u>\$1,555,386.32</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$53,500.00	\$57,350.10	\$57,701.53	\$351.43
Intergovernmental	71,627.25	299,786.91	300,512.18	725.27
Earnings on Investments	12,000.00	46,912.33	58,275.39	11,363.06
Miscellaneous	800.00	7,644.88	7,796.28	151.40
<i>Total receipts</i>	<u>137,927.25</u>	<u>411,694.22</u>	<u>424,285.38</u>	<u>12,591.16</u>
Disbursements				
Current:				
General Government	270,695.00	276,445.00	184,081.16	92,363.84
Public Works	6,500.00	6,500.00	5,231.23	1,268.77
Health	3,000.00	3,000.00	391.98	2,608.02
Human Services	3,000.00	3,000.00	0.00	3,000.00
Conservation-Recreation	33,650.00	33,900.00	23,114.19	10,785.81
Capital Outlay	70,000.00	70,000.00	26,189.91	43,810.09
<i>Total Disbursements</i>	<u>386,845.00</u>	<u>392,845.00</u>	<u>239,008.47</u>	<u>153,836.53</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(248,917.75)</u>	<u>18,849.22</u>	<u>185,276.91</u>	<u>166,427.69</u>
Other Financing Sources (Uses)				
Transfers In	0.00	75,361.68	75,361.68	0.00
Transfers Out	(15,000.00)	(9,000.00)	0.00	9,000.00
<i>Total Other Financing Sources (Uses)</i>	<u>(15,000.00)</u>	<u>66,361.68</u>	<u>75,361.68</u>	<u>9,000.00</u>
<i>Net Change in Fund Balance</i>	<u>(263,917.75)</u>	<u>85,210.90</u>	<u>260,638.59</u>	<u>175,427.69</u>
<i>Fund Balance Beginning of Year</i>	<u>435,944.47</u>	<u>435,944.47</u>	<u>435,944.47</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$172,026.72</u>	<u>\$521,155.37</u>	<u>\$696,583.06</u>	<u>\$175,427.69</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$238,334.00	\$214,401.66	\$249,011.34	\$34,609.68
Licenses, Permits and Fees	50.00	50.00	75.00	\$25.00
Intergovernmental	28,000.00	28,000.00	28,627.83	\$627.83
Miscellaneous	0.00	2,999.96	8,544.38	\$5,544.42
<i>Total receipts</i>	266,384.00	245,451.62	286,258.55	40,806.93
Disbursements				
Current:				
Public Works	329,950.00	329,950.00	248,776.05	81,173.95
Capital Outlay	60,000.00	60,000.00	31,377.81	28,622.19
Debt Service:				
Principal Retirement	10,621.74	10,619.93	10,367.21	252.72
Interest and Fiscal Charges	252.72	254.53	254.53	0.00
<i>Total Disbursements</i>	400,824.46	400,824.46	290,775.60	110,048.86
<i>Excess of Receipts (Under) Disbursements</i>	(134,440.46)	(155,372.84)	(4,517.05)	150,855.79
Other Financing Sources (Uses)				
Transfers In	0.00	31,011.01	31,011.01	0.00
Transfers Out	(750.00)	(750.00)	(750.00)	0.00
<i>Total Other Financing Sources (Uses)</i>	(750.00)	30,261.01	30,261.01	0.00
<i>Net Change in Fund Balance</i>	(135,190.46)	(125,111.83)	25,743.96	150,855.79
<i>Fund Balance Beginning of Year</i>	205,121.76	205,121.76	205,121.76	0.00
<i>Fund Balance End of Year</i>	\$69,931.30	\$80,009.93	\$230,865.72	\$150,855.79

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Operating Levy Fund
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$354,500.00	\$405,235.09	\$405,918.04	\$682.95
Intergovernmental	42,000.00	46,058.08	46,058.08	0.00
Miscellaneous	1.00	1.00	1.00	0.00
<i>Total receipts</i>	<u>396,501.00</u>	<u>451,294.17</u>	<u>451,977.12</u>	<u>682.95</u>
Disbursements				
Current:				
Public Safety	447,725.00	447,725.00	393,909.25	53,815.75
Capital Outlay	20,000.00	20,000.00	20,000.00	0.00
<i>Total Disbursements</i>	<u>467,725.00</u>	<u>467,725.00</u>	<u>413,909.25</u>	<u>53,815.75</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(71,224.00)</u>	<u>(16,430.83)</u>	<u>38,067.87</u>	<u>54,498.70</u>
Other Financing Sources (Uses)				
Transfers In	0.00	10,000.00	10,000.00	0.00
<i>Total Other Financing Sources (Uses)</i>	<u>0.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>0.00</u>
<i>Net Change in Fund Balance</i>	<u>(71,224.00)</u>	<u>(6,430.83)</u>	<u>48,067.87</u>	<u>54,498.70</u>
<i>Fund Balance Beginning of Year</i>	<u>207,721.16</u>	<u>207,721.16</u>	<u>207,721.16</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$136,497.16</u>	<u>\$201,290.33</u>	<u>\$255,789.03</u>	<u>\$54,498.70</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 1 – Reporting Entity

Walnut Township, Fairfield County, Ohio (the Township), is a body politic and corporate established in 1808 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, including the regulation of zoning and road and bridge maintenance. The Township contracts with the Village of Millersport, Village of Thurston, and Pleasant Township for fire protection and ambulance service.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units on its financial statements.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

The Township participates in a joint venture with the Village of Thurston to operate the Thurston-Walnut Township Joint Fire Department, see Note 10 for a further description of the entity.

The Township participates in one jointly governed organization, the Fairfield County Regional Planning Commission, see Note 11 for a further description of the entity.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. Note 6 to the basic financial statements provides information on this entity.

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Fire Operating 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. It is used to account for all financial resources except those required to be accounted for in another fund.

The Road and Bridge Fund receives real estate property tax, personal property tax, manufactured home tax, and homestead and rollback money for constructing, maintaining and repairing Township roads and bridges.

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

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

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township. The Board of Trustees must annually approve appropriations measures and subsequent amendments. The County Budget Commission must also approve the annual appropriations and estimated resources.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of one year or less at the time of purchase are presented on the financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

The Township invested in an interest bearing checking account, a money market account and nonnegotiable certificates of deposit, a money market. The nonnegotiable certificates of deposit are reported at cost. The Township’s money market fund investment is recorded at the amount reported by *The Bremen Bank* on December 31, 2007 and 2006, and is presented on the financial statements as Equity in Pooled Cash and Cash Equivalents.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 and 2006 were \$60,196 and \$58,275 which includes \$12,394 and \$14,170 assigned from other Township funds.

F. Capital Assets

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

G. Accumulated Leave

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

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for capital projects and for other purposes including payments for fire protection, road maintenance and cemetery maintenance.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, and Fire Operating Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2007 (budgetary basis) amounted to \$954 for the General fund, \$616 for the Road and Bridge Fund, and \$1,062 for the Fire Operating Fund. The Township did not report any reservations for encumbrances at December 31, 2006.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution to secure repayment of all public monies deposit with the institution.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 - Deposits and Investments (continued)

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007 and 2006, \$1,377,349 and \$1,383,312 of the Township's bank balance of \$1,577,349 and \$1,583,312 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

Investments

The Township did not have any investments at December 31, 2007 and 2006.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 (2007) represent the collection of 2005 (2006) taxes. Real property taxes received in 2006 (2007) were levied after October 1, 2005 (2006), on the assessed values as of January 1, 2005 (2006), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 (2007) represent the collection of 2005 (2006) taxes. Public utility real and tangible personal property taxes received in 2006 (2007) became a lien on December 31, 2005 (2006), were levied after October 1, 2005 (2006), and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (2007) (other than public utility property) represent the collection of 2006 (2007) taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005 (2006), on the true value as of December 31, 2005 (2006). Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 5 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2006 (2007), was \$5.60 (\$8.60) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based are as follows:

Real Property	<u>FY 07</u>	<u>FY 06</u>
Residential	\$122,954,120	\$120,837,040
Agricultural	11,120,830	10,958,090
Commercial/Industrial/Mineral	9,682,120	9,725,660
Public Utility Property	10,997,320	10,751,940
Real	46,750	32,240
Personal	621,210	1,456,875
Tangible Personal Property	198,300	198,300
Total Assessed Value	<u>\$155,620,650</u>	<u>\$153,960,145</u>

Note 6 – 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management (continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 and 2007 was \$1,901,127 and \$2, 104,548 respectively.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

<u>Casualty Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$14,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management (continued)

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2007	\$7,517
2006	8,112
2005	10,025

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 and 9.0 percent respectively of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 and 2006 was 13.85 and 13.70 percent respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$25,538, \$24,934, and \$23,875 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 and 13.70 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007. From July 1 through December 31, 2007, 6 percent of covered payroll was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007 and December 31, 2006, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$5,147. The actual contribution and the actuarially required contribution amounts are the same.

OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<u>Truck Note</u>					
2003 Issue (\$30,128)	3.25%	\$10,335	\$0	\$10,335	\$0

The truck loan was obtained to purchase a 2003 Ford F-550 truck. The loan was paid off as of September 12, 2006. There was no new debt issued during 2007.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 9 – Debt (continued)

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

Note 10 – Joint Ventures

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 2007 and 2006, the Township contributed \$138,691 and \$107,600 to the Thurston-Walnut Fire Department. Upon the nonexistence of the Thurston-Walnut Fire Department, the assets of the fire department will be divided with 70% to Walnut Township and 30% Village of Thurston.

Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures. For more on the Thurston-Walnut Fire Depart, contact the Village of Thurston. The Village accounts for the Fire Department in a separate fund.

Note 11 – Jointly Governed Organizations

Fairfield County Regional Planning Commission

The Township participates in the Fairfield County Regional Planning Commission, a statutorily created political subdivision of the State. Fairfield County, its municipalities, and its townships jointly govern the Commission. All of the County Commissioners are members of the 48-member board, and the County appoints seven of the members of the board. Each member's control over the operation of the Commission is limited to its representation of the board. The Commission makes studies, maps, plans, recommendations, and reports concerning physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During the 2007 and 2006, the Township contributed \$909 to the Commission. Continued existence of the Commission is not dependent on the Township's continued participation, no equity interest exists, and no debt is outstanding.



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 Road
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, 2007 and 2006, and have issued our report thereon dated September 8, 2008 wherein we noted that 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Township's management in a separate letter dated September 8, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 8, 2008.

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



Mary Taylor, CPA
Auditor of State

September 8, 2008

WALNUT TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 9.38 – Receipts not always deposited timely	No	Partially Corrected. Reissued in Management letter



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
NOVEMBER 6, 2008**