

**WALNUT TOWNSHIP
PICKAWAY COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Walnut Township
8514 South Bloomfield-Royalton Road
Ashville, Ohio 43103

We have reviewed the *Independent Auditor's Report* of Walnut Township, Pickaway County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 20, 2013

This page intentionally left blank.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011.....	4
Notes to the Financial Statements.....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Audit Findings	15
Schedule of Prior Audit Findings	17

This page intentionally left blank.

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

May 10, 2013

Walnut Township
Pickaway County
8514 South Bloomfield-Royalton Road
Ashville, Ohio 43103

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Walnut Township**, Pickaway County, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting 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; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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* paragraph, the 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 the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Walnut Township, Pickaway County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the Township's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 158,001	\$ 572,764	\$ -	\$ 730,765
Licenses, Permits and Fees	5,880	23,311	-	29,191
Intergovernmental	37,895	182,699	-	220,594
Earnings on Investments	1,761	885	641	3,287
Miscellaneous	3,431	22,533	-	25,964
<i>Total Cash Receipts</i>	<u>206,968</u>	<u>802,192</u>	<u>641</u>	<u>1,009,801</u>
Cash Disbursements				
Current:				
General Government	212,447	13,416	6,840	232,703
Public Safety	-	376,253	-	376,253
Public Works	-	249,095	-	249,095
Health	-	91,135	-	91,135
Capital Outlay	-	25,170	-	25,170
Debt Service:				
Principal Retirement	-	650	-	650
<i>Total Cash Disbursements</i>	<u>212,447</u>	<u>755,719</u>	<u>6,840</u>	<u>975,006</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,479)</u>	<u>46,473</u>	<u>(6,199)</u>	<u>34,795</u>
<i>Fund Cash Balances, January 1</i>	<u>257,029</u>	<u>449,192</u>	<u>66,756</u>	<u>772,977</u>
Fund Cash Balances, December 31				
Restricted	-	495,665	60,557	556,222
Unassigned	251,550	-	-	251,550
<i>Fund Cash Balances, December 31</i>	<u>\$ 251,550</u>	<u>\$ 495,665</u>	<u>\$ 60,557</u>	<u>\$ 807,772</u>

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

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 139,066	\$ 545,275	\$ -	\$ -	\$ 684,341
Licenses, Permits and Fees	2,375	27,220	-	-	29,595
Intergovernmental	135,571	191,090	5,223	-	331,884
Earnings on Investments	1,772	803	-	1,645	4,220
Miscellaneous	1,762	20,346	-	-	22,108
<i>Total Cash Receipts</i>	<u>280,546</u>	<u>784,734</u>	<u>5,223</u>	<u>1,645</u>	<u>1,072,148</u>
Cash Disbursements					
Current:					
General Government	289,104	14,497	-	2,236	305,837
Public Safety	-	372,564	-	-	372,564
Public Works	-	362,239	-	-	362,239
Health	-	61,599	-	-	61,599
Human Services	-	880	-	-	880
Capital Outlay	100	26,660	5,223	-	31,983
Debt Service:					
Principal Retirement	-	1,300	-	-	1,300
<i>Total Cash Disbursements</i>	<u>289,204</u>	<u>839,739</u>	<u>5,223</u>	<u>2,236</u>	<u>1,136,402</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(8,658)</u>	<u>(55,005)</u>	<u>-</u>	<u>(591)</u>	<u>(64,254)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	-	22,106	-	-	22,106
Transfers In	-	50,000	-	-	50,000
Transfers Out	(50,000)	-	-	-	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>	<u>72,106</u>	<u>-</u>	<u>-</u>	<u>22,106</u>
<i>Net Change in Fund Cash Balances</i>	<u>(58,658)</u>	<u>17,101</u>	<u>-</u>	<u>(591)</u>	<u>(42,148)</u>
<i>Fund Cash Balances, January 1</i>	<u>315,687</u>	<u>432,091</u>	<u>-</u>	<u>67,347</u>	<u>815,125</u>
Fund Cash Balances, December 31					
Restricted	-	449,192	-	66,756	515,948
Unassigned	257,029	-	-	-	257,029
<i>Fund Cash Balances, December 31</i>	<u>\$ 257,029</u>	<u>\$ 449,192</u>	<u>-</u>	<u>\$ 66,756</u>	<u>\$ 772,977</u>

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

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Walnut Township, Pickaway County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including road and bridge maintenance, fire protection and cemetery maintenance. The Township contracts with the Harrison Township Fire Department to provide fire and rescue services.

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is a:

Public Entity Risk Pool:

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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and recorded in another fund.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – This fund received property tax money for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund is used to account for and report voted property taxes restricted to the operation of the fire department.

2. Permanent Fund

This fund is for restricted donations for cemetery maintenance.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. 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.

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ 727,364	\$ 692,569
Certificates of Deposit	80,408	80,408
Total	<u>\$ 807,772</u>	<u>\$ 772,977</u>

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

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 201,835	\$ 206,968	\$ 5,133
Special Revenue	842,525	802,192	(40,333)
Permanent Fund	65,576	641	(64,935)
Total	\$ 1,109,936	\$ 1,009,801	\$ (100,135)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 456,600	\$ 212,447	\$ 244,153
Special Revenue	1,193,504	755,719	437,785
Permanent	8,000	6,840	1,160
Total	\$ 1,658,104	\$ 975,006	\$ 683,098

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 169,335	\$ 280,546	\$ 111,211
Special Revenue	728,373	856,840	128,467
Capital Projects	5,223	5,223	-
Permanent Fund	3,090	1,645	(1,445)
Total	\$ 906,021	\$ 1,144,254	\$ 238,233

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 436,746	\$ 339,204	\$ 97,542
Special Revenue	1,202,260	839,739	362,521
Capital Projects	5,223	5,223	-
Permanent Fund	7,914	2,236	5,678
Total	\$ 1,652,143	\$ 1,186,402	\$ 465,741

Contrary to Ohio Revised Code Section 5705.10(D), the Township incorrectly posted tax receipts to improper funds.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OPWC Loan	\$20,156	0%
Total	\$20,156	

The Township entered into an agreement in 2011 with OPWC to loan \$22,106 for the Walnut Heights Subdivision Roadway Improvement project. This is a zero interest loan that will be paid off on January 1, 2028.

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

Year ending December 31:	OPWC Loan
2013	\$1,300
2014	1,300
2015	1,300
2016	1,300
2017	1,300
2018-2022	6,503
2023-2027	6,503
2028	650
Total	\$20,156

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10.0% of their gross salaries, and the Township contributed an amount equaling 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

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

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

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2011 and 2010 (the latest information available):

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position (Continued)

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$7,585	\$6,579

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

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

May 10, 2013

Walnut Township
Pickaway County
8514 South Bloomfield-Royalton Road
Ashville, Ohio 43103

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Walnut Township**, Pickaway County (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 10, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1, and the Township implemented Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider findings 2012-01 through 2012-02 described in the accompanying schedule of audit findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 10, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Material Weakness/Non-Compliance

Ohio Revised Code 5705.10 (D) states that revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, Ohio Revised Code Section 5705(H) states that money paid into any fund shall be used only for the purposes for which such fund was established.

The Township incorrectly posted the following receipts:

- Gasoline Tax receipt of \$4,786 posted incorrectly into the Capital Projects Fund rather than to the Gasoline Tax Fund in 2011.
- Permissive Motor Vehicle License Tax receipts amounting to \$5,658 in 2011 and \$481 in 2012 posted incorrectly into the General Fund rather than to the Permissive Motor Vehicle Tax Fund.
- Permissive Motor Vehicle License Tax receipts amounting to \$6,407 posted incorrectly into the Motor Vehicle License Tax Fund rather than to the Permissive Motor Vehicle Tax Fund in 2011.
- Road and Bridge real estate settlement receipt of \$105,297 posted incorrectly into the Cemetery Fund in 2011.
- Rollback receipts improperly allocated to the appropriate funds amounting to \$3,034 in 2011 and \$3,561 in 2012.

These adjustments are reflected in the accompanying financial statements and the Township's accounting system.

We recommend the Township utilize available authoritative resources to post receipt transactions appropriately.

Management's Response – We received no response from officials to this finding.

FINDING NUMBER 2012-02

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and expenditures were not always posted correctly. For example;

- Zoning and building permit fees were recorded as Miscellaneous Revenue in the General Fund, Property and Other Local Taxes and Intergovernmental in the Permissive Motor Vehicle License Tax Fund in instead of Licenses, Permits and Fees in the General Fund in 2012 and 2011.
- Permissive Motor Vehicle License Tax receipts were recorded as Intergovernmental instead of Property and Other Local Taxes in 2012 and 2011.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2012-02 (Continued)

Material Weakness (Continued)

Posting Receipts and Expenditures (Continued)

- A transfer from the General Fund to the Fire District Fund was recorded as a memo expenditure and memo receipt instead of a transfer-out of the General Fund and a transfer-in to the Fire District Fund.
- A debt payment was recorded as Capital Outlay in the Capital Projects Fund instead of Redemption of Principal in the Road and Bridge Fund.
- Debt proceeds were not recorded in the UAN system along with the corresponding capital outlay expenditure.

This resulted in several reclassification and adjustment entries being made to the Township's financial statements. The financial statements reflect all reclassifications and adjustments and the Township has made all adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We received no response from officials to this finding.

**WALNUT TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 5705.10(D)	No	Repeated as Finding 2012-01
2010-002	Posting Receipts and Expenditures	No	Repeated as Finding 2012-02

This page intentionally left blank.



Dave Yost • Auditor of State

WALNUT TOWNSHIP

PICKAWAY 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
JULY 2, 2013**