

**WALNUT CREEK TOWNSHIP
HOLMES COUNTY, OHIO
ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Walnut Creek Township

We have reviewed the Independent Auditor's Report of Walnut Creek Township, Holmes County, prepared by Rea & Associates, Inc. for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 1, 2002

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**WALNUT CREEK TOWNSHIP
HOLMES COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2001	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2000	3
Notes to the Financial Statements	4 - 9
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 10, 2002

Board of Trustees
Walnut Creek Township
Holmes County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Walnut Creek Township, Holmes County, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Walnut Creek Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township, prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State which is a comprehensive basis of accounting 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 combined fund cash balances of Walnut Creek Township, Holmes County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

**WALNUT CREEK TOWNSHIP
HOLMES COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(Memorandum Only)</u>
			<u>TOTAL</u>
CASH RECEIPTS:			
Local taxes	\$ 112,157	\$ 140,925	\$ 253,082
Intergovernmental	128,454	77,016	205,470
Interest	10,766	1,649	12,415
Miscellaneous	9,679	15,867	25,546
	<u>261,056</u>	<u>235,457</u>	<u>496,513</u>
Total cash receipts	261,056	235,457	496,513
CASH DISBURSEMENTS:			
Current:			
General government	61,340	10,715	72,055
Public work activities	65,042	173,052	238,094
Public health services	18,461	0	18,461
Capital outlay	22,268	53,992	76,260
	<u>167,111</u>	<u>237,759</u>	<u>404,870</u>
Total cash disbursements	167,111	237,759	404,870
Total receipts over (under) cash disbursements	93,945	(2,302)	91,643
OTHER FINANCING SOURCES			
Sale of Assets	<u>2,628</u>	<u>7,882</u>	<u>10,510</u>
Total receipts and other sources over disbursements	96,573	5,580	102,153
Fund cash balances, January 1, 2001	<u>358,859</u>	<u>151,008</u>	<u>509,867</u>
Fund cash balances, December 31, 2001	<u>\$ 455,432</u>	<u>\$ 156,588</u>	<u>\$ 612,020</u>
Reserved for Encumbrances, December 31, 2001	<u>\$ 1,389</u>	<u>\$ 1,838</u>	<u>\$ 3,227</u>

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

**WALNUT CREEK TOWNSHIP
HOLMES COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(Memorandum Only)</u> <u>TOTAL</u>
CASH RECEIPTS:			
Local taxes	\$ 108,572	\$ 128,715	\$ 237,287
Intergovernmental	126,179	76,538	202,717
Interest	11,262	1,877	13,139
Miscellaneous	8,967	18,511	27,478
	<u>254,980</u>	<u>225,641</u>	<u>480,621</u>
Total cash receipts			
CASH DISBURSEMENTS:			
Current:			
General government	35,944	32,032	67,976
Public work activities	121,522	206,996	328,518
Public health services	18,461	0	18,461
Capital outlay	31,576	3,000	34,576
	<u>207,503</u>	<u>242,028</u>	<u>449,531</u>
Total cash disbursements			
Total receipts over (under) cash disbursements	47,477	(16,387)	31,090
OTHER FINANCING SOURCES			
Sale of Assets	<u>20</u>	<u>0</u>	<u>20</u>
Total receipts and other sources over (under) disbursements	47,497	(16,387)	31,110
Fund cash balances, January 1, 2000	<u>311,362</u>	<u>167,395</u>	<u>478,757</u>
Fund cash balances, December 31, 2000	<u>\$ 358,859</u>	<u>\$ 151,008</u>	<u>\$ 509,867</u>
Reserved for Encumbrances, December 31, 2000	<u>\$ 878</u>	<u>\$ 1,614</u>	<u>\$ 2,492</u>

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

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NOTE 1: Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Walnut Creek, Holmes County, is a body politic and corporate established 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 four member Board. The Township provides general governmental services, including road, bridge and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of township roads and bridges.

Fire District Fund - This fund receives real estate tax for the cost associated with fire protection.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NOTE 1: Summary of Significant Accounting Policies (continued)

C. Fund Accounting

Special Revenue Funds (continued)

Road and Bridge Fund - This fund receives real estate taxes, personal property taxes, and rollback and homestead tax monies for the construction, repair, and maintenance of township roads and bridges.

Road Levy Fund - This fund receives real estate taxes, personal property taxes, rollback and homestead taxes, and money from other sources for the construction, repair, and maintenance of township roads and bridges.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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 Township must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statement.

**WALNUT CREEK TOWNSHIP
HOLMES COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 2: Equity in Pooled Cash

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

	<u>2001</u>	<u>2000</u>
Certificate of Deposit	\$ 70,021	\$ 65,922
Demand deposits	<u>541,999</u>	<u>443,945</u>
Total deposits	<u>\$ 612,020</u>	<u>\$ 509,867</u>

Deposits

Deposits in excess of \$100,000 are collateralized by securities specifically pledged by the financial institution to the Township. Deposits in financial institutions up to \$100,000 are covered by the Federal Depository Insurance Corporation (FDIC).

NOTE 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2001 and 2000 was as follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 202,774	\$ 263,684	\$ 60,910
Special Revenue	<u>221,300</u>	<u>243,339</u>	<u>22,039</u>
Total	<u>\$ 424,074</u>	<u>\$ 507,023</u>	<u>\$ 82,949</u>

2001 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 272,802	\$ 168,500	\$ 104,302
Special Revenue	<u>314,190</u>	<u>239,597</u>	<u>74,593</u>
Total	<u>\$ 586,992</u>	<u>\$ 408,097</u>	<u>\$ 178,895</u>

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NOTE 3: Budgetary Activity (continued)

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 192,924	\$ 255,000	\$ 62,076
Special Revenue	210,900	225,641	14,741
Total	<u>\$ 403,824</u>	<u>\$ 480,641</u>	<u>\$ 76,817</u>

2000 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 292,106	\$ 208,381	\$ 83,725
Special Revenue	333,200	243,642	89,558
Total	<u>\$ 625,306</u>	<u>\$ 452,023</u>	<u>\$ 173,283</u>

NOTE 4: Property Tax

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Walnut Creek Township. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 taxes 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.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NOTE 5: Retirements Systems

The Board of Trustees, Township Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employee Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 1, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

NOTE 6: Risk Management

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 which the General Reinsurance Corporation will reinsure.

If the losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NOTE 6: Risk Management (continued)

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with general accepted accounting principles, and reports the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$ 5,011,131	\$ 4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$ 4,363,464</u>	<u>\$ 3,658,953</u>

The Township also provides health, life, and disability insurance coverage to Township Trustees and Township Clerk, through a private carrier.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 10, 2002

The Board of Trustees
Walnut Creek Township
Holmes County, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Walnut Creek Township, Holmes County, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 10, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Walnut Creek Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Walnut Creek Township in a separate letter dated June 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walnut Creek Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Walnut Creek Township in a separate letter dated June 10, 2002.

This report is intended for the information of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WALNUT CREEK TOWNSHIP

HOLMES 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 30, 2002**