



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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WALNUT TOWNSHIP
FAIRFIELD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005.....	9
Statement of Activities – Modified Cash Basis – For the Year Ended December 31, 2005	10
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005.....	11
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2005	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Operating Fund	15
Notes to the 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 Findings.....	31

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Walnut Township
Fairfield County
11420 Millersport Road
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 year ended December 31, 2005, 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified 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, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Fire Operating funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

December 15, 2006

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Walnut Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$39,177 or 3 percent. The funds most affected by the increase were the General Fund, Fire Operating Fund, Gasoline Tax Fund, Zoning Fund, Permissive MVL Tax Fund, Reserve General Fund, Reserve Road Fund and Reserve Fund. The increase in the General Fund was due to a decrease in expenditures. The increase in the Fire Operating Fund, Gasoline Tax Fund and Permissive Tax Fund were due to increases in intergovernmental sources of revenues. The increases in the Zoning Fund were due to increases in permit fees and the number of permits issued. These increases were offset by decreases in the Reserve funds established for the General, Road and Fire funds due to increases in expenditures.

The Township's general receipts are primarily property taxes and intergovernmental revenues. These revenues represent \$808,970 or 61% of the total cash received for governmental activities during the year. Property tax revenue for 2005 changed very little compared to 2004; however, intergovernmental revenue increased significantly due to the Township receiving an Ohio Public Works Commission grant during 2005.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities – All of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township funds are governmental.

Governmental funds – All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, Fire Operating Fund and the OPWC-Juniper Road Fund. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$1,332,950	\$1,293,773
Total Assets	\$1,332,950	\$1,293,773
Net Assets		
Restricted for:		
Capital Projects	134,890	211,960
Other Purposes	762,115	678,997
Unrestricted	435,945	402,816
Total Net Assets	\$1,332,950	\$1,293,773

As mentioned previously, net assets of governmental activities increased \$39,177 or 3 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increases in intergovernmental revenue resulted from the Township receiving a FEMA grant, an OPWC grant and increases in fuel excise tax monies.
- Increases in licenses, permits and fees resulted from increases in zoning permit fees and permits issued.
- Increases in Earnings on Investments due to the Township maintaining a higher balance in its money market account which earned a higher rate of interest.
- The increases noted above were limited by increases in expenditures for capital outlay, public safety and public works.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$61,925
Operating Grants and Contributions	240,566
Capital Grants and Contributions	165,650
Total Program Receipts	<u>468,141</u>
General Receipts:	
Property and Other Local Taxes	671,656
Grants and Entitlements Not Restricted to Specific Programs	137,315
Interest	35,387
Miscellaneous	16,400
Total General Receipts	<u>860,758</u>
Total Receipts	<u>1,328,899</u>
Disbursements:	
General Government	230,428
Public Safety	382,527
Public Works	409,783
Health	1,482
Conservation-Recreation	20,097
Capital Outlay	234,783
Debt Service:	
Principal Retirement	10,063
Interest	559
Total Disbursements	<u>1,289,722</u>
Increase (Decrease) in Net Assets	39,177
Net Assets, January 1, 2005	<u>1,293,773</u>
Net Assets, December 31, 2005	<u>\$1,332,950</u>

Program receipts represent 35 percent of the total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, homestead and rollback, various grants and zoning permit receipts.

General Receipts represent 65 percent of the Township's total receipts, and of this amount over 78 percent are local taxes. State grants and entitlements made up 16 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources, including interest and miscellaneous revenue.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of most of the Trustees and Fiscal Officer, as well as building and parks upkeep.

Public Safety are the costs of paying for fire protection; Public Works is the general maintenance as well as the repair of roads; Health is mainly the County Health Department; Conservation/Recreation is the costs of developing and maintaining the Township parks; Capital Outlay are the costs of equipment and other improvements of the Township; Debt Service are for the repayment of a loan.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works, Public Safety, Capital Outlay and General Government, which account for 32, 30, 18 and 18 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. The "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$230,428	(\$168,603)
Public Safety	382,527	(337,316)
Public Works	409,783	(214,955)
Health	1,482	(856)
Conservation-Recreation	20,097	(20,096)
Capital Outlay	234,783	(69,133)
Debt Service:		
Principal Retirement	10,063	(10,063)
Interest	559	(559)
Total Expenses	<u>\$1,289,722</u>	<u>(\$821,581)</u>

The dependence upon property tax and intergovernmental receipts is apparent as 64 percent of governmental activities are supported through these general receipts.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township's Funds

Total governmental funds had receipts of \$1,328,899 and disbursements of \$1,289,722. The greatest change within governmental funds occurred within the General, Fire Operating, Gasoline, Zoning, Permissive MVL Tax funds and the reserve funds established for the General, Road and Fire funds. The fund balances increased in the General Fund \$33,129, Fire Operating \$25,292, Gasoline \$26,094, Zoning Fund \$17,102, and Permissive Fund \$17,200. The fund balance decreased in the Road and Bridge (\$6,674), Reserve General (\$16,520), Reserve Road (\$32,749) and Reserve Fire (\$30,000). The increase in the General Fund was due to a decrease in expenditures. The increases in the Fire Operating Fund, Gasoline Tax Fund and Permissive Tax Fund were due to increases in intergovernmental sources of revenues. The increases in the Zoning Fund were due to increases in permit fees and the number of permits issued. These increases were offset by decreasing the Reserve funds established for the General, Road and Fire funds due to increases in expenditures.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Fluctuations in growth and diversity have typically not occurred in the Township, allowing the Board of Trustees the ability to consistently predict receipts and disbursements. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$377,412 while actual disbursements were \$201,777. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances and actual receipts exceeded estimated receipts. The result is the increase in fund balance of \$33,129 for 2005.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

At December 31, 2005, the Township's outstanding debt included \$10,335 for a truck loan from Commodore Bank. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pauline Ety, Fiscal Officer, Walnut Township, 11793 Summerland Beach Road, Millersport, Ohio 43046 or Walnut Township Office, 11420 Millersport Rd, Millersport, Ohio 43046.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,332,949.50</u>
<i>Total Assets</i>	<u><u>1,332,949.50</u></u>
Net Assets	
Restricted for:	
Capital Projects	134,890.00
Other Purposes	762,115.03
Unrestricted	<u>435,944.47</u>
<i>Total Net Assets</i>	<u><u>\$ 1,332,949.50</u></u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 230,427.60	\$ 61,825.00	\$ -	\$ -	\$ (168,602.60)
Public Safety	382,527.24	100.00	45,111.31	-	(337,315.93)
Public Works	409,783.30	-	194,828.22	-	(214,955.08)
Health	1,482.50	-	626.60	-	(855.90)
Conservation-Recreation	20,096.61	-	-	-	(20,096.61)
Capital Outlay	234,783.04	-	-	165,650.21	(69,132.83)
Debt Service					
Principal	10,062.85	-	-	-	(10,062.85)
Interest	558.89	-	-	-	(558.89)
Total Governmental Activities	1,289,722.03	61,925.00	240,566.13	165,650.21	(821,580.69)
General Receipts					
Property Taxes Levied for:					
General Purposes 55,182.88					
Road & Bridge 243,765.18					
Fire Operating 372,707.29					
Grants and Entitlements not Restricted to Specific Programs 137,314.85					
Interest 35,386.83					
Miscellaneous 16,400.24					
Total General Receipts 860,757.27					
Change in Net Assets 39,176.58					
Net Assets Beginning of Year 1,293,772.92					
Net Assets End of Year \$ 1,332,949.50					

See accompanying notes to the basic financial statements

WALNUT TOWNSHIP
FAIRFIELD COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Road and Bridge Fund	Fire Operating Fund	OPWC - Juniper Rd Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 435,944.47	\$ 205,121.76	\$ 207,721.16	\$ -	\$ 484,162.11	\$ 1,332,949.50
<i>Total Assets</i>	<u>435,944.47</u>	<u>205,121.76</u>	<u>207,721.16</u>	<u>-</u>	<u>484,162.11</u>	<u>1,332,949.50</u>
Fund Balances						
Unreserved:						
Designated for Capital Improvements	-	-	-	-	\$ 116,372.69	\$ 116,372.69
Undesignated (Deficit), Reported in:						
General Fund	435,944.47	-	-	-	-	435,944.47
Special Revenue Funds	-	205,121.76	207,721.16	-	349,272.11	762,115.03
Capital Projects Funds	-	-	-	-	18,517.31	18,517.31
<i>Total Fund Balances</i>	<u>\$ 435,944.47</u>	<u>\$ 205,121.76</u>	<u>\$ 207,721.16</u>	<u>\$ -</u>	<u>\$ 484,162.11</u>	<u>\$ 1,332,949.50</u>

See accompanying notes to the basic financial statements

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road and Bridge Fund	Fire Operating Fund	OPWC - Juniper Rd Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 55,182.88	\$ 243,765.18	\$ 372,707.29	\$ -	\$ -	\$ 671,655.35
Licenses, Permits and Fees	-	100.00	-	-	61,825.00	61,925.00
Intergovernmental	137,314.85	29,204.83	45,111.31	160,105.79	161,967.76	533,704.54
Interest	35,386.83	-	-	-	9,209.23	44,596.06
Other	7,020.85	1,694.82	1.00	-	8,300.99	17,017.66
<i>Total Receipts</i>	<u>234,905.41</u>	<u>274,764.83</u>	<u>417,819.60</u>	<u>160,105.79</u>	<u>241,302.98</u>	<u>1,328,898.61</u>
Disbursements						
Current:						
General Government	177,000.10	-	-	-	53,427.50	230,427.60
Public Safety	-	-	382,527.24	-	-	382,527.24
Public Works	2,695.73	268,787.38	-	-	138,300.19	409,783.30
Health	1,482.50	-	-	-	-	1,482.50
Conservation-Recreation	18,083.02	-	-	-	2,013.59	20,096.61
Capital Outlay	2,515.46	11,901.06	-	160,105.79	60,260.73	234,783.04
Debt Service:						
Principal Retirement	-	-	-	-	10,062.85	10,062.85
Interest and Fiscal Charges	-	-	-	-	558.89	558.89
<i>Total Disbursements</i>	<u>201,776.81</u>	<u>280,688.44</u>	<u>382,527.24</u>	<u>160,105.79</u>	<u>264,623.75</u>	<u>1,289,722.03</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,128.60</u>	<u>(5,923.61)</u>	<u>35,292.36</u>	<u>-</u>	<u>(23,320.77)</u>	<u>39,176.58</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	11,500.00	11,500.00
Transfers Out	-	(750.00)	(10,000.00)	-	(750.00)	(11,500.00)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(750.00)</u>	<u>(10,000.00)</u>	<u>-</u>	<u>10,750.00</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	33,128.60	(6,673.61)	25,292.36	-	(12,570.77)	39,176.58
<i>Fund Balances Beginning of Year</i>	<u>402,815.87</u>	<u>211,795.37</u>	<u>182,428.80</u>	<u>-</u>	<u>496,732.88</u>	<u>1,293,772.92</u>
<i>Fund Balances End of Year</i>	<u>\$ 435,944.47</u>	<u>\$ 205,121.76</u>	<u>\$ 207,721.16</u>	<u>\$ -</u>	<u>\$ 484,162.11</u>	<u>\$ 1,332,949.50</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 48,000.00	\$ 48,487.68	\$ 55,182.88	\$ 6,695.20
Intergovernmental	73,953.00	136,263.10	137,314.85	1,051.75
Interest	12,000.00	27,684.82	35,386.83	7,702.01
Other	800.00	800.00	7,020.85	6,220.85
<i>Total receipts</i>	<u>134,753.00</u>	<u>213,235.60</u>	<u>234,905.41</u>	<u>21,669.81</u>
Disbursements				
Current:				
General Government	244,175.00	256,584.90	177,000.10	79,584.80
Public Works	5,800.00	4,197.13	2,695.73	1,501.40
Health	2,000.00	2,000.00	1,482.50	517.50
Human Services	3,000.00	3,000.00	-	3,000.00
Conservation-Recreation	26,200.00	31,400.00	18,083.02	13,316.98
Capital Outlay	60,000.00	80,229.97	2,515.46	77,714.51
<i>Total Disbursements</i>	<u>341,175.00</u>	<u>377,412.00</u>	<u>201,776.81</u>	<u>175,635.19</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(206,422.00)</u>	<u>(164,176.40)</u>	<u>33,128.60</u>	<u>197,305.00</u>
Other Financing Sources (Uses)				
Transfers Out	(15,000.00)	(15,000.00)	-	15,000.00
<i>Total Other Financing Sources (Uses)</i>	<u>(15,000.00)</u>	<u>(15,000.00)</u>	<u>-</u>	<u>15,000.00</u>
<i>Net Change in Fund Balance</i>	(221,422.00)	(179,176.40)	33,128.60	212,305.00
<i>Fund Balance Beginning of Year</i>	401,536.64	401,536.64	401,536.64	-
Prior Year Encumbrances Appropriated	1,279.23	1,279.23	1,279.23	-
<i>Fund Balance End of Year</i>	<u>\$ 181,393.87</u>	<u>\$ 223,639.47</u>	<u>\$ 435,944.47</u>	<u>\$ 212,305.00</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 233,000.00	\$ 233,000.00	\$ 243,765.18	\$ 10,765.18
Licenses, Permits and Fees	50.00	100.00	100.00	-
Intergovernmental	28,000.00	28,000.00	29,204.83	1,204.83
Other	2,667.00	7,588.88	1,694.82	(5,894.06)
<i>Total receipts</i>	<u>263,717.00</u>	<u>268,688.88</u>	<u>274,764.83</u>	<u>6,075.95</u>
Disbursements				
Current:				
Public Works	321,310.00	344,569.07	268,787.38	75,781.69
Capital Outlay	25,000.00	15,000.00	11,901.06	3,098.94
<i>Total Disbursements</i>	<u>346,310.00</u>	<u>359,569.07</u>	<u>280,688.44</u>	<u>78,880.63</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(82,593.00)</u>	<u>(90,880.19)</u>	<u>(5,923.61)</u>	<u>84,956.58</u>
Other Financing Sources (Uses)				
Transfers Out	(750.00)	(750.00)	(750.00)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(750.00)</u>	<u>(750.00)</u>	<u>(750.00)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(83,343.00)	(91,630.19)	(6,673.61)	84,956.58
<i>Fund Balance Beginning of Year</i>	203,508.18	203,508.18	203,508.18	-
Prior Year Encumbrances Appropriated	8,287.19	8,287.19	8,287.19	-
<i>Fund Balance End of Year</i>	<u>\$ 128,452.37</u>	<u>\$ 120,165.18</u>	<u>\$ 205,121.76</u>	<u>\$ 84,956.58</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 354,000.00	\$ 361,922.00	\$ 372,707.29	\$ 10,785.29
Intergovernmental	42,000.00	42,000.00	45,111.31	3,111.31
Other	1.00	1.00	1.00	-
<i>Total receipts</i>	<u>396,001.00</u>	<u>403,923.00</u>	<u>417,819.60</u>	<u>13,896.60</u>
Disbursements				
Current:				
General Government	1,200.00	1,200.00	-	1,200.00
Public Safety	422,725.00	430,647.00	382,527.24	48,119.76
<i>Total Disbursements</i>	<u>423,925.00</u>	<u>431,847.00</u>	<u>382,527.24</u>	<u>49,319.76</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(27,924.00)</u>	<u>(27,924.00)</u>	<u>35,292.36</u>	<u>63,216.36</u>
Other Financing Sources (Uses)				
Transfers Out	(20,000.00)	(20,000.00)	(10,000.00)	10,000.00
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000.00)</u>	<u>(20,000.00)</u>	<u>(10,000.00)</u>	<u>10,000.00</u>
<i>Net Change in Fund Balance</i>	(47,924.00)	(47,924.00)	25,292.36	73,216.36
<i>Fund Balance Beginning of Year</i>	182,428.80	182,428.80	182,428.80	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ 134,504.80</u>	<u>\$ 134,504.80</u>	<u>\$ 207,721.16</u>	<u>\$ 73,216.36</u>

See accompanying notes to the basic financial statements

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**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 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, the Village of Thurston and Pleasant Township to provide fire and ambulance services.

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.

C. Joint Ventures and Jointly Governed Organizations

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 is in a joint venture with the Village of Thurston to operate the Thurston-Walnut Township Joint Fire Department, see note 13 for a further description of the entity.

The Township participates in a jointly governed organization, the Fairfield County Regional Planning Commission, see note 12 for a further description of the 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified 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 modified 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 modified 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. Non major 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 consist of the General Fund, Road and Bridge Fund, Fire Operating Fund and the OPWC-Juniper Road 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 OPWC-Juniper Road Fund receives grants to pay for an Issue II project for road improvements.

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 modified 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 modified 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 expenses and liabilities) 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 certificated 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 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 (contra revenue), 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, 2005.

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 2005 was \$35,387 which includes \$20,735 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 modified cash basis of accounting.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 9 and 10, the employer contributions include portions for pension benefits and for post retirement health care benefits.

I. Long-Term Obligations

The Township's modified 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 are 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.

The government-wide statement of net assets report \$897,005 of restricted net assets, of which \$119,373 is restricted by enabling legislation.

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 – Change in Basis of Accounting

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005, the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the Township has not elected to report inventory, prepaid items, interfund receivables (payables), capital assets as part of the modified cash basis of accounting.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 4 – Accountability and Compliance

Compliance

Ohio Revised Code Section 9.38 requires public money to be deposited with the treasurer of the fiscal office or to a designated depository on the business day following the day of receipt. The Township did not deposit a majority of receipts in a timely manner during 2005.

Note 5 – 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, 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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The Township did not report any reservations for encumbrances at year end.

Note 6 – 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;

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 6 – Deposits and Investments (Continued)

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, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township may not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,183,146 of the Township's bank balance of \$1,383,146 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 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.

B. Investments

The Township did not have any investments during the year or as of December 31, 2005.

Note 7 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 7 – Property Taxes (Continued)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.60 per \$1,000 of assessed value in the corporation and \$3.40 \$1,000 of assessed value outside of the corporation. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$120,837,040
Agriculture	10,958,090
Commercial/Industrial/Mineral	9,725,660
Public Utility Property	10,751,940
Real	32,240
Personal	1,456,875
Tangible Personal Property	198,300
Total Assessed Value	<u><u>\$153,960,145</u></u>

Note 8 – 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 Government 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

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management (Continued)

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.

Property Coverage

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 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005.

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	(12,344,576)
Retained earnings	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$9,177,796
Liabilities	(1,406,031)
Retained earnings	<u>\$7,771,765</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$10,025.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 9 – Defined Benefit Pension Plan

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 year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. 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, 2005, 2004, and 2003 were \$23,875, \$22,838, and \$23,251 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 10 – Post employment Benefits

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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 and 6 percent annually for the next eight years and 4 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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 10 – Post employment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 376,105. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$7,104. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 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 11 - Debt

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Truck Note</u>					
2003 Issue (\$30,128)	3.25%	\$20,398	\$0	\$10,063	\$10,335

The loan was obtained to purchase a 2003 Ford F-550 truck. The loan will be paid off September 12, 2006.

The following is a summary of the Township's future annual debt service requirements:

Year	NOTES	
	Principal	Interest
2006	\$10,335	\$287

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. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$16,165,815 and an unvoted debt margin of \$8,467,808.

Note 12 – Jointly Governed Organization

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 2005, 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.

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 13 – Joint Venture

The Township is in a joint venture with the Village of Thurston to operate the Thurston-Walnut Township Joint Fire Department. The Township contributes a portion every year towards the operation of the Thurston-Walnut Township 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 2005, the Township contributed \$96,225 to the Thurston-Walnut Township Joint Fire Department. Upon the nonexistence of the Thurston-Walnut Township Joint Fire Department, the assets of the fire department will be divided with 70% to Walnut Township and 30% to Village of Thurston. Under the modified cash basis of accounting, the Township does not report assets for equity interests in joint ventures. For more on the Thurston Fire Department, contact the Village of Thurston. The Village accounts for the Fire Department in a separate fund.

Note 14 – Contingent Liabilities

The Township is the defendant in two lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 15 – Subsequent Event

On February 15, 2006, the Township received loan proceeds in the amount of \$46,366 from the Ohio Public Works Commission for an Issue II project.



Auditor of State Betty Montgomery

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 governmental activities, each major fund, and the aggregate remaining fund information of Walnut Township, Fairfield County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 15, 2006, wherein we noted the Township revised its financial presentation comparable with the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated December 15, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated December 15, 2006, we reported an other matter related to noncompliance we deemed immaterial.

Walnut Township
Fairfield County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 15, 2006

**WALNUT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

Finding Number 2005-001

Ohio Rev. Code Section 9.38 provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Fifty-nine percent of receipts tested were not deposited in a timely manner. The receipts not deposited timely consisted of building and zoning permit fees. In addition, formal policies have not been adopted by the Board.

We recommend the Township deposit all receipts to the Fiscal Officer or the designated depository by the next business day following the day of receipt. If the Board feels it is appropriate, they may adopt a policy allowing amounts less than \$1,000 to be held, if properly safeguarded in a fireproof safe, lockbox, etc., for a period not to exceed 3 business days as described above.

Officials' Response: The Township adopted a policy to follow the Ohio Revised Code and deposit all receipts over \$1,000 within 24 hours. Deposits under \$1,000 will be safeguarded and deposited within three business days.



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
JANUARY 18, 2007**