



Dave Yost • Auditor of State



**WALNUT TOWNSHIP  
GALLIA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	19

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Walnut Township  
Gallia County  
5674 State Route 775  
Patriot, Ohio 45658

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Walnut Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Walnut Township, Gallia County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 1, 2016

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$11,420	\$6,033	\$0	\$17,453
Charges for Services	95	0	0	95
Intergovernmental	25,286	102,729	0	128,015
Earnings on Investments	15	21	0	36
Miscellaneous	5,067	400	0	5,467
<i>Total Cash Receipts</i>	<u>41,883</u>	<u>109,183</u>	<u>0</u>	<u>151,066</u>
<b>Cash Disbursements</b>				
Current:				
General Government	27,582	19,170	0	46,752
Public Safety	0	2,000	0	2,000
Public Works	6,476	95,298	0	101,774
Health	4,800	0	0	4,800
<i>Total Cash Disbursements</i>	<u>38,858</u>	<u>116,468</u>	<u>0</u>	<u>155,326</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,025</u>	<u>(7,285)</u>	<u>0</u>	<u>(4,260)</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets	0	10,000	0	10,000
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
<i>Net Change in Fund Cash Balances</i>	3,025	2,715	0	5,740
<i>Fund Cash Balances, January 1</i>	<u>28,458</u>	<u>107,765</u>	<u>59</u>	<u>136,282</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	110,480	59	110,539
Assigned	13,370	0	0	13,370
Unassigned	18,113	0	0	18,113
<i>Fund Cash Balances, December 31</i>	<u>\$31,483</u>	<u>\$110,480</u>	<u>\$59</u>	<u>\$142,022</u>

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

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,028	\$6,217	\$0	\$16,245
Charges for Services	625	0	0	625
Intergovernmental	12,878	112,079	0	124,957
Earnings on Investments	15	38	0	53
Miscellaneous	5,157	2,187	0	7,344
<i>Total Cash Receipts</i>	<u>28,703</u>	<u>120,521</u>	<u>0</u>	<u>149,224</u>
<b>Cash Disbursements</b>				
Current:				
General Government	17,087	24,569	0	41,656
Public Safety	0	2,000	0	2,000
Public Works	0	133,742	0	133,742
Health	4,725	0	0	4,725
<i>Total Cash Disbursements</i>	<u>21,812</u>	<u>160,311</u>	<u>0</u>	<u>182,123</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,891</u>	<u>(39,790)</u>	<u>0</u>	<u>(32,899)</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Uses	0	(2,000)	0	(2,000)
<i>Total Other Financing (Disbursements)</i>	<u>0</u>	<u>(2,000)</u>	<u>0</u>	<u>(2,000)</u>
<i>Net Change in Fund Cash Balances</i>	6,891	(41,790)	0	(34,899)
<i>Fund Cash Balances, January 1</i>	<u>21,567</u>	<u>149,555</u>	<u>59</u>	<u>171,181</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	107,765	59	107,824
Assigned	13,349	0	0	13,349
Unassigned	15,109	0	0	15,109
<i>Fund Cash Balances, December 31</i>	<u>\$28,458</u>	<u>\$107,765</u>	<u>\$59</u>	<u>\$136,282</u>

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

All cash assets of the Township are maintained in an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**3. Debt Service Funds**

This fund accounts for and report financial resources that are restricted to expenditure for principal and interest. The Township had no activity in this fund for 2015 or 2014.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**1. Restricted**

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

**2. Assigned**

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

**3. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2015</u>	<u>2014</u>
Demand deposits	<u>\$142,022</u>	<u>\$136,282</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,071	\$41,883	\$8,812
Special Revenue	118,454	119,183	729
Total	\$151,525	\$161,066	\$9,541

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,932	\$38,858	\$6,074
Special Revenue	155,979	116,468	39,511
Total	\$200,911	\$155,326	\$45,585

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,674	\$28,703	(\$3,971)
Special Revenue	107,995	120,521	12,526
Total	\$140,669	\$149,224	\$8,555

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,608	\$21,824	\$23,784
Special Revenue	200,848	162,420	38,428
Total	\$246,456	\$184,244	\$62,212

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Township.

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

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$4,563	\$4,319

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

**7. RELATED PARTY TRANSACTION**

The Township employed a certain Trustee's sister in law for cleaning the townhouse in 2014 and 2015 that was not approved in the minute record. The Township paid the said employee \$1,500 and \$3,000 in 2015 and 2014, respectively.



# Dave Yost • Auditor of State

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

Walnut Township  
Gallia County  
5674 State Route 775  
Patriot, Ohio 45658

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Walnut Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 1, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-001, 2015-002, and 2015-004 to be a material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-003.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 1, 2016

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance Citation/Material Weakness**

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Ohio Admin. Code § 117-2-01 (D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Township's staff did not allow for an adequate segregation of duties; the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

The Fiscal Officer did not prepare timely monthly bank reconciliations to reconcile the bank statements to the UAN accounting system. We noted the following:

- January and February 2014 were not reconciled until April 2014;
- March through May 2014 were not reconciled until June 2014;
- June through August were not reconciled until September 2014;
- September and October 2014 were not reconciled until November 2014;
- November and December 2014 were not reconciled until January 2015; and
- March through December 2015 were not reconciled until January 2016.

In addition, receipts received from the Gallia County Auditor's office and other various vendors were not posted timely in the UAN system. It was noted July through December 2015 receipts were not recorded in UAN until January 24, 2016. This aided in the Township financial records being inaccurate and carrying incorrect fund balances. Failure to perform timely monthly reconciliations results in errors going undetected by the Fiscal Officer.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

Also, the Fiscal Officer should maintain records of budget and actual information in a format easily reviewable by the Township Board of Trustees. The Board of Trustees should review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis.

This review should be documented in the minute record and/or initialed and dated to evidence review. The Board of Trustees should also make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior year?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-002**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 507.09(C) states the township fiscal officer shall be compensated from the Township General Fund or from other Township funds based on the proportion of time the township fiscal officer spends providing services related to each Fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the Township General Fund or from other Township funds in such proportions as the kinds of services performed.

During 2015, the Fiscal Officer's salary, fringe benefits, and insurance reimbursements were allocated to the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Fire Fund. However, the Fiscal Officer did not follow the certification requirements of Ohio Rev. Code § 505.24(C) nor maintain time and effort documentation for eight months during 2015.

For 2015, a portion of the Fiscal Officer's salaries, fringe benefits, and insurance reimbursements were paid from the Motor Vehicle License Tax Fund in the amount of \$2,671; Gasoline Tax Fund in the amount of \$4,807; and the Fire Fund in the amount of \$1,068.

The Fiscal Officer posted these adjustments to the Township's records and they are reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

**FINDING NUMBER 2015-003**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement states above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blank certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-003 (Continued)**

**Noncompliance Citation – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation

75% of disbursements tested during 2014 and 2015 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used. In addition, the budgetary presentation should include outstanding encumbrances at year end.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003 (Continued)**

**Noncompliance Citation – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

Also, the Fiscal officer prepared "blanket" certificates, but a maximum amount was not established by resolution adopted by a majority of the members of the legislative authority.

The Board of Trustees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

In addition, the Board of Trustees should establish by resolution a maximum amount for blanket certificates.

**FINDING NUMBER 2015-004**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2014:

- General Fund charges for services and interest receipts of \$80 and \$10, respectively, were decreased due to an overstatement of receipts from prior year;
- General Fund intergovernmental receipt of \$24 was unrecorded;
- General Fund interest receipts of \$11 were unrecorded;
- General Fund charges for service receipt of \$50 was unrecorded;
- General Fund intergovernmental receipts of \$2,098 were incorrectly classified as taxes;
- General Fund miscellaneous receipt of \$3,961 was incorrectly classified as intergovernmental;
- General Fund general government disbursements of \$5,444 and health disbursements of \$1,350 were incorrectly classified as human services;
- General Fund general government disbursements of \$785 were incorrectly posted as Gasoline Tax Fund public works disbursements;
- General Fund unassigned fund balance of \$13,349 was reclassified as assigned fund balance;
- Motor Vehicle License Tax Fund interest receipts decreased \$1;
- Motor Vehicle License Tax Fund public works disbursements increased \$21 due to overstatement of receipts in prior year;
- Gasoline Tax Fund intergovernmental receipt of \$4,949 was deposited but not recorded in the same fiscal year;

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004 (Continued)**

**Material Weakness – (Continued)**

- Gasoline Tax Fund intergovernmental receipt and public works disbursement of \$4,000 were unrecorded;
- Gasoline Tax Fund intergovernmental receipt of \$5,020 was incorrectly recorded as miscellaneous;
- Gasoline Tax Fund public works disbursements increased \$29 due overstatement of receipts in prior year;
- Fire Fund intergovernmental receipt of \$11 was unrecorded; and
- Fire Fund public safety disbursements of \$2,000 incorrectly recorded as general government.

**In 2015:**

- General Fund intergovernmental receipts of \$2,107 were incorrectly recorded as taxes;
- General Fund charges for services of \$50 and interest receipts of \$4 were deposited in 2014 but were recorded in 2015;
- General Fund miscellaneous receipt of \$3,992 was incorrectly recorded as intergovernmental;
- General Fund general government disbursement increased \$1 for unrecorded bank service fee;
- General Fund general government disbursements of \$4,190; health of \$300; and public works disbursements of \$6,473 were incorrectly recorded as human services disbursements;
- General Fund general government disbursements increased \$326 due to cleared checks voided in the UAN system;
- General Fund general government disbursements of \$8,546 were incorrectly posted as general government disbursements in the Motor Vehicle License Tax Fund in the amount of \$2,671; Gasoline Tax Fund in the amount of \$4,807; and Fire Fund in the amount of \$1,068;
- General Fund unassigned fund balance of \$13,370 was reclassified as assigned fund balance;
- Motor Vehicle License Tax Fund sale of capital asset receipt of \$10,000 was incorrectly recorded as miscellaneous;
- Motor Vehicle License Tax Fund interest receipts decreased \$2 due to unrecorded interest in 2014 posted in 2015;
- Motor Vehicle License Tax Fund general government disbursements increased \$224 due to cleared checks voided in the UAN system;
- Gasoline Tax Fund interest receipts decreased \$6 due to unrecorded interest in 2014 posted in 2015;
- Gasoline Tax Fund intergovernmental receipt and public works disbursement of \$4,000 was unrecorded;
- Gasoline Tax Fund intergovernmental receipt of \$2,393 was incorrectly recorded as intergovernmental in the General Fund;
- Gasoline Tax Fund intergovernmental receipt of \$4,949 since it was deposited in 2014 but recorded in 2015;
- Gasoline Tax Fund general government and public works disbursements increased \$403 and \$1,725, respectively, due to cleared checks voided in the UAN system;
- Fire Fund general government disbursements increased \$90 due to cleared checks voided in the UAN system; and
- Fire Fund public safety disbursements of \$2,000 were incorrectly recorded as general government.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004 (Continued)**

**Material Weakness – (Continued)**

The audited financial statements and the Township's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Township handbook for guidance on the correct line item to post various receipts and expenditures and also review Auditor of State Bulletin 2011-004 for proper reporting of fund balances to ensure the financial statements are complete and accurate.

**Officials' Response:** We did not receive a response from Officials to the Findings reported above.

**WALNUT TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 505.24 (C) – Township officials did not complete monthly payroll certifications	No	Partially Corrected – reported in the management letter
2013-002	Material weakness for errors in posting receipts and disbursements	No	Not Corrected. Reissued as Finding Number 2015-004.

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# Dave Yost • Auditor of State

**WALNUT TOWNSHIP**

**GALLIA 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  
AUGUST 16, 2016**