



OHIO AUDITOR OF STATE  
**KEITH FABER**





# OHIO AUDITOR OF STATE KEITH FABER



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## BASIC AUDIT REPORT

Walnut Township  
Gallia County  
2161 Flagspring Road  
Patriot, Ohio 45658

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Walnut Township, Gallia County, Ohio (the Township), for the years ended December 31, 2021 and 2020.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 117.11(A). Because our procedures were not designed to opine on the Township's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Township's financial statements, transactions or balances for the years ended December 31, 2021 and 2020.

The Township's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code § 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

### Current Year Observations

1. **Ohio Rev. Code § 109.43(B) and § 149.43(E)(1)** require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

The Township's Fiscal Officer with appointed term ending in 2020 and two of the Township's Trustees with terms ending in 2021, did not, during their term of office, attend a required Certified Public Records Training or have an appropriate designee attend a training, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

**Current Year Observations (Continued)**

2. **Ohio Rev. Code § 117.38** provides each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year.

Any public office, other than a state agency, that does not file its financial report at the time required by this section may be required to pay to the Auditor of State twenty-five dollars for each day the report remains unfiled after the filing date provided that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The Auditor of State may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report.

The Township did not file its 2021 annual financial report until March 9, 2022.

The Township should take the necessary steps to ensure that its annual financial report is prepared and filed within sixty days after the close of the fiscal year.

3. **Ohio Rev. Code Chapter 133** authorizes certain methods by which subdivisions may incur debt.

**Ohio Rev. Code § 133.22** provides a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

**Ohio Rev. Code § 133.10** permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

**Ohio Rev. Code § 133.15** provides a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

**Ohio Rev. Code § 133.18** provides the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2021 and 2020, the Township made principal payments on an outstanding promissory note in the amount of \$12,000 and \$220, respectively. The promissory note was used by the Township to purchase a grader for the Township. This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

4. **Ohio Rev. Code § 149.43(B)(2)** requires the Township to have available a copy of its current records retention schedule at a location readily available to the public.

The Township has not adopted a Records Retention policy/schedule.

### Current Year Observations (Continued)

The Township Trustees should review Ohio Rev. Code § 149.43 in order to gain an understanding of items to be included in the records retention policy/schedule. The Township Trustees should approve a records retention policy/schedule and have it readily available to the public.

5. **Ohio Rev. Code § 507.12(A)** states to enhance the background and working knowledge of township fiscal officers in government accounting, budgeting and financing, financial report preparation, cybersecurity, and the rules adopted by the auditor of state, the auditor of state shall conduct education programs and continuing education courses for individuals elected or appointed for the first time to the office of township fiscal officer, and shall conduct continuing education courses for individuals who continue to hold the office in a subsequent term. The Ohio township association also may conduct such initial education programs and continuing education courses if approved by the auditor of state. The auditor of state, in conjunction with the Ohio township association, shall determine the manner and content of the initial education programs and continuing education courses.

Also, **Ohio Rev. Code § 507.12(B)** states a newly elected or appointed township fiscal officer shall complete six hours of initial education programs before commencing, or during the first year of, office. **Ohio Rev. Code § 507.12(C)(1)** states in addition to the six hours of initial education required under division (B) of this section, a newly elected township fiscal officer shall complete at least a total of eighteen continuing education hours during the township fiscal officer's first term of office.

During the audit period the Fiscal Officer was in her first term of office and should have completed a total of eighteen hours of continuing education. Review of the Auditor of State (AOS) online database shows that the Fiscal Officer did not register and has not self-reported any continuing education hours.

The Fiscal Officer should register through the AOS on-line database and begin self-reporting continuing education hours. Fiscal Officers can access the Fiscal Integrity Act portal at <http://www.ohioauditor.gov/fiscalintegrity/default.html>.

6. **State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states, in part, the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Township failed to make timely payments on interest payments for a loan with Ohio Valley Bank which resulted in late fees of \$60 being paid. The payment of late fees is not considered to be a proper use of public funds and can result in findings for recovery.

The Fiscal Officer should ensure payments are made timely to prevent paying late fees.

7. We noted debt proceeds and the related capital outlay for the purchase of a grader were not recorded in the Township's records. The bank paid the vendor directly for the purchase so the amounts did not flow through the Township's normal receipt and disbursement process.

The Township should record receipts and related payments made on their behalf by a third party in the receipts and payment registers to ensure all Township activity is recorded.

**Current Status of Matters Reported in our Prior Engagement**

1. In addition to the matters reported above, our prior audit for the years ended December 31, 2019 and 2018 included a finding for errors noted in the financial statements that required audit adjustments or reclassifications. The Township used a traveling clerk as needed to assist with posting receipts and disbursements into accurate funds and/or classifications based upon the source of the receipt or the nature of the disbursement.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 15, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**WALNUT TOWNSHIP**

**GALLIA COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 8/25/2022**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)