



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Walnut Township Local School District
Fairfield County
11850 Lancaster Street
Millersport, Ohio 43046

We have audited the accompanying general-purpose financial statements of the Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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JIM PETRO
Auditor of State

December 23, 2002

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**Walnut Township Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	Special	Debt	Capital	Enterprise	Trust and	General	General	(Memorandum)	
	Revenue	Service	Projects		Agency	Fixed Assets	Long Term Debt	(Only)	
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 729,312	95,078	642,111	3,935	39,949	17,535	0	0	\$ 1,527,920
Restricted Assets	82,466	0	0	0	0	0	0	0	82,466
Taxes Receivables	2,249,774	0	493,598	0	0	0	0	0	2,743,372
Intergovernmental Receivables	17	0	4	0	0	0	0	0	21
Accounts Receivable	8,804	235	0	0	297	0	0	0	9,336
Inventory	3,493	0	0	0	447	0	0	0	3,940
Inventory for Resale	0	0	0	0	3,834	0	0	0	3,834
Prepaid Expenses	14,118	0	0	0	0	0	0	0	14,118
Property, Plant, and Equipment	0	0	0	0	112,357	0	14,311,591	0	14,423,948
Accumulated Depreciation, Where Applicable	0	0	0	0	(83,363)	0	0	0	(83,363)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	655,619	655,619
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	3,706,771	3,706,771
Total Assets and Other Debits	\$ 3,087,984	95,313	1,135,713	3,935	73,521	17,535	14,311,591	4,362,390	\$ 23,087,982

**Walnut Township Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

	Governmental Fund Types			Proprietary Fund Type Enterprise	Fiduciary Fund Types Trust and Agency	Account Groups		Totals 2001 (Memorandum Only)	
	General	Special Revenue	Debt Service			Capital Projects	General Fixed Assets		General Long Term Debt
Liabilities:									
Intergovernmental Payables	\$ 74,451	1,890	0	0	8,858	0	0	25,759	\$ 110,958
Accounts Payable	21,322	3,975	0	0	0	0	0	0	25,297
Accrued Salaries and Benefits	361,669	10,256	0	0	12,391	0	0	0	384,316
Deferred Revenue	2,188,540	0	480,094	0	0	0	0	0	2,668,634
Due to Others	0	0	0	0	0	17,535	0	0	17,535
General Obligation Bonds Payable	0	0	0	0	0	0	0	3,950,000	3,950,000
Compensated Absences Payable	18,528	0	0	0	3,984	0	0	386,631	409,143
Total Liabilities	2,664,510	16,121	480,094	0	25,233	17,535	0	4,362,390	7,565,883
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	14,311,591	0	14,311,591
Contributed Capital	0	0	0	0	42,372	0	0	0	42,372
Retained Earnings	0	0	0	0	5,916	0	0	0	5,916
Fund Balances:									
Reserved for Supply Inventory	3,493	0	0	0	0	0	0	0	3,493
Reserved for Encumbrances	71,188	2,700	0	0	0	0	0	0	73,888
Reserved for Budget Stabilization	49,981	0	0	0	0	0	0	0	49,981
Reserved for Textbooks	32,485	0	0	0	0	0	0	0	32,485
Reserved for Future Appropriation	61,234	0	13,504	0	0	0	0	0	74,738
Reserved for Prepayments	14,118	0	0	0	0	0	0	0	14,118
Unreserved Fund Balance	190,975	76,492	642,115	3,935	0	0	0	0	913,517
Total Fund Balances	423,474	79,192	655,619	3,935	0	0	0	0	1,162,220
Total Fund Balances/Retained Earnings and Other	423,474	79,192	655,619	3,935	48,288	0	14,311,591	0	15,522,099
Total Liabilities, Fund Equity, and Other Credits	\$ 3,087,984	95,313	1,135,713	3,935	73,521	17,535	14,311,591	4,362,390	\$ 23,087,982

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund
Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special	Debt	Capital	Expendable	
		Revenue	Service	Projects	Trust	
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 2,056,925	0	448,874	0	0	\$ 2,505,799
Transportation Fees	181,176	0	0	0	0	181,176
Earnings on Investments	100,934	0	0	0	0	100,934
Extracurricular Activities	0	49,441	0	0	0	49,441
Classroom Materials & Fees	5,026	0	0	0	0	5,026
Miscellaneous	5,045	24,083	0	0	1,000	30,128
Revenue from State Sources						
Unrestricted Grants-in-Aid	1,625,576	25,000	56,156	0	0	1,706,732
Restricted Grants-in-Aid	31,640	31,822	0	22,704	0	86,166
Revenue for/on Behalf of District	26,169	0	0	0	0	26,169
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	153,122	0	0	0	153,122
Total Revenue	4,032,491	283,468	505,030	22,704	1,000	4,844,693
EXPENDITURES:						
Instruction						
Regular Instruction	1,982,556	40,235	0	25,533	0	2,048,324
Special Instruction	369,256	96,868	0	0	0	466,124
Vocational Instruction	248	0	0	0	0	248
Supporting Services						
Supporting Services-Pupils	203,997	8,304	0	0	1000	213,301
Supporting Services-Instructional Staff	64,709	6,072	0	0	0	70,781
Supporting Services-Board of Education	106,074	0	0	0	0	106,074
Supporting Services-Administration	347,504	15,653	0	0	0	363,157
Fiscal Services	179,006	6,134	9,140	2,756	0	197,036
Operation & Maintenance-Plant	432,802	747	0	0	0	433,549
Supporting Services-Pupil Transportation	288,642	0	0	0	0	288,642
Supporting Services-Central	5,117	6,000	0	0	0	11,117
Operation of Non-Instructional Services						
Community Services	2,845	0	0	0	0	2,845
Extracurricular Activities						
Academic & Subject Oriented	29,662	1,051	0	0	0	30,713
Sports Oriented	83,386	48,259	0	0	0	131,645
Co-Curricular Activities	0	8,535	0	0	0	8,535
Debt Service						
Repayment of Debt	0	0	463,808	0	0	463,808
Total Expenditures	4,095,804	237,858	472,948	28,289	1,000	4,835,899
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(63,313)	45,610	32,082	(5,585)	0	8,794
Other Financing Sources and Uses:						
Sale & Loss of Assets	1,391	0	0	0	0	1,391
Other Receipts	4,900	0	0	0	0	4,900
Net Other Financing Sources and Uses	6,291	0	0	0	0	6,291
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursement and Other Uses	(57,022)	45,610	32,082	(5,585)	0	15,085
Increase in Inventory	1,388	0	0	0	0	1,388
Beginning Fund Balance	479,108	33,582	623,537	9,520	0	1,145,747
Ending Fund Balance	\$ 423,474	79,192	655,619	3,935	0	\$ 1,162,220

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,062,264	2,085,751	23,487	0	0	\$ 0
Tuition	150,000	181,176	31,176	0	0	0
Earnings on Investment	75,000	103,223	28,223	0	0	0
Extracurricular Activities	0	0	0	48,920	49,535	615
Classroom Materials & Fees	5,000	5,289	289	0	0	0
Miscellaneous	4,400	5,045	645	25,445	24,679	(766)
State Unrestricted Grants-in-Aid	1,480,000	1,625,559	145,559	25,711	25,000	(711)
State Restricted Grants-in-Aid	31,640	31,640	0	32,962	32,822	(140)
Fed. Revenue for/on Behalf of District	27,000	27,119	119	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	154,162	153,122	(1,040)
Total Revenue	3,835,304	4,064,802	229,498	287,200	285,158	(2,042)
Expenditures:						
Regular Instruction	2,063,200	2,019,929	43,271	79,326	40,996	38,330
Special Instruction	392,867	372,753	20,114	108,255	96,875	11,380
Support Services-Pupils	248,705	202,038	46,667	8,256	8,256	0
Support Services-Instructional Staff	71,909	64,902	7,007	8,679	6,050	2,629
Support Services-Board of Education	118,500	111,841	6,659	0	0	0
Support Services-Administration	365,779	352,171	13,608	19,060	15,601	3,459
Fiscal Services	196,525	177,852	18,673	6,099	6,063	36
Operation & Maintenance-Plant	475,716	430,000	45,716	749	747	2
Support Services-Transportation	310,135	291,520	18,615	0	0	0
Support Services-Central	7,000	5,133	1,867	6,000	6,000	0
Community Services	2,970	2,857	113	500	0	500
Academic & Subject Oriented	29,772	28,917	855	1,980	1,051	929
Sports Oriented	83,489	83,070	419	59,170	48,687	10,483
Co-Curricular Activities	0	0	0	11,200	10,807	393
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	4,366,567	4,142,983	223,584	309,274	241,133	68,141
Excess of Revenue Over (Under) Expenditures	(531,263)	(78,181)	453,082	(22,074)	44,025	66,099
Other Financing Sources (Uses):						
Sale & Loss of Assets	200	1,400	1,200	0	0	0
Advances-In	5,000	0	(5,000)	0	0	0
Refund of Prior Years Rec/Exp	68,169	40,176	(27,993)	0	0	0
Transfers-In	(84)	(84)	0	0	0	0
Other Miscellaneous Uses of Funds	(8)	0	8	0	0	0
Total Other Sources (Uses)	73,277	41,492	(31,785)	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(457,986)	(36,689)	421,297	(22,074)	44,025	66,099
Beginning Fund Balance	712,572	712,572	0	43,002	43,002	0
Prior Year Carry Over Encumbrances	58,319	58,319	0	1,378	1,378	0
Ending Fund Balance	\$ 312,905	734,202	421,297	22,306	88,405	\$ 66,099

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Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Projects Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 462,793	462,793	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	55,642	56,152	510	0	0	0
State Restricted Grants-in-Aid	0	0	0	22,704	22,704	0
Fed. Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	518,435	518,945	510	22,704	22,704	0
Expenditures:						
Regular Instruction	0	0	0	26,224	25,533	691
Special Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	9,140	9,140	0	6,000	2,755	3,245
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Repayment of Debt	463,808	463,808	0	0	0	0
Total Expenditures	472,948	472,948	0	32,224	28,288	3,936
Excess of Revenue Over (Under) Expenditures	45,487	45,997	510	(9,520)	(5,584)	3,936
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Rec/Exp	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Other Miscellaneous Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	45,487	45,997	510	(9,520)	(5,584)	3,936
Beginning Fund Balance	596,113	596,113	0	9,520	9,520	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
Ending Fund Balance	\$ 641,600	642,110	510	0	3,936	\$ 3,936

(Continued)

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund- Continued
Year Ended June 30, 2001

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	\$ 0	\$ 0	\$ 2,525,057	2,548,544	\$ 23,487
Tuition	0	0	0	150,000	181,176	31,176
Earnings on Investment	0	0	0	75,000	103,223	28,223
Extracurricular Activities	0	0	0	48,920	49,535	615
Classroom Materials & Fees	0	0	0	5,000	5,289	289
Miscellaneous	1,000	1,000	0	30,845	30,724	(121)
State Unrestricted Grants-in-Aid	0	0	0	1,561,353	1,706,711	145,358
State Restricted Grants-in-Aid	0	0	0	87,306	87,166	(140)
Fed. Revenue for/on Behalf of District	0	0	0	27,000	27,119	119
Federal Restricted Grants-in-Aid	0	0	0	154,162	153,122	(1,040)
Total Revenue	1,000	1,000	0	4,664,643	4,892,609	227,966
Expenditures:						
Regular Instruction	0	0	0	2,168,750	2,086,458	82,292
Special Instruction	0	0	0	501,122	469,628	31,494
Support Services-Pupils	1,000	1,000	0	257,961	211,294	46,667
Support Services-Instructional Staff	0	0	0	80,588	70,952	9,636
Support Services-Board of Education	0	0	0	118,500	111,841	6,659
Support Services-Administration	0	0	0	384,839	367,772	17,067
Fiscal Services	0	0	0	217,764	195,810	21,954
Operation & Maintenance-Plant	0	0	0	476,465	430,747	45,718
Support Services-Transportation	0	0	0	310,135	291,520	18,615
Support Services-Central	0	0	0	13,000	11,133	1,867
Community Services	0	0	0	3,470	2,857	613
Academic & Subject Oriented	0	0	0	31,752	29,968	1,784
Sports Oriented	0	0	0	142,659	131,757	10,902
Co-Curricular Activities	0	0	0	11,200	10,807	393
Repayment of Debt	0	0	0	463,808	463,808	0
Total Expenditures	1,000	1,000	0	5,182,013	4,886,352	295,661
Excess of Revenue Over (Under) Expenditures	0	0	0	(517,370)	6,257	523,627
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	200	1,400	1,200
Advances-In	0	0	0	5,000	0	(5,000)
Refund of Prior Years Rec/Exp	0	0	0	68,169	40,176	(27,993)
Transfers-In	0	0	0	(84)	(84)	0
Other Miscellaneous Uses of Funds	0	0	0	(8)	0	8
Total Other Sources (Uses)	0	0	0	73,277	41,492	(31,785)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,000	1,000	0	5,255,290	4,927,844	(327,446)
Beginning Fund Balance	0	0	0	1,361,207	1,361,207	0
Prior Year Carry Over Encumbrances	0	0	0	59,697	59,697	0
Ending Fund Balance	\$ 1,000	\$ 1,000	\$ 0	\$ 6,676,194	\$ 6,348,748	\$ (327,446)

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
Year Ended June 30, 2001

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 170,708
Extracurricular Activities	2,696
Classroom Materials & Fees	16,020
Total Operating Revenue	189,424
Operating Expenses:	
Personal Services - Salary	85,198
Employee Benefits	46,432
Purchased Services	2,078
Supplies and Materials	123,959
Depreciation	1,631
Total Operating Expenses	259,298
Operating Loss	(69,874)
Non-Operating Revenues:	
Earnings on Investment	1,185
Miscellaneous	1,625
State Unrestricted Grants-in-Aid	2,788
Federal Unrestricted Grants-in-Aid	56,535
Federal Donated Commodities	8,917
Total Non-Operating Revenue	71,050
Net Income	1,176
Beginning Retained Earnings	4,740
Retained Earnings at End of Year	\$ 5,916

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2001

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (69,874)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	1,631
Federal Commodities	8,917
Net Increase (Decrease) in Assets:	
Accounts Receivable	251
Inventory	(388)
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	4,336
Accounts Payable	(250)
Accrued Wages and Benefits	(1,348)
Deferred Revenue	(1,067)
Compensated Absences	(854)
Net Adjustments	11,228
Net Cash Used in Operating Activities	(58,646)
Cash Flows from Noncapital Financing Activities:	
Earnings on Investments	1,185
Grants from State Sources	2,788
Grants from Federal Sources	56,535
Other Sources	1,625
Net Cash Provided by Non-capital Financing Sources	62,133
Cash Flows Provided by Capital Financing Activities:	
Acquisition of Capital Assets	(139)
Net Cash Provided by Capital Financing Activities	(139)
Net Increase in Cash & Cash Equivalents	3,348
Cash and Cash Equivalents at Beginning of Year	36,601
Cash and Cash Equivalents at End of Year	\$ 39,949
See Accompanying Notes to the General Purpose Financial Statements	

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Walnut Township Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.3 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 747. The District employed 52 certified employees and 29 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that a reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Type

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is a proprietary fund type:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also be reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at the October regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budget basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund and Enterprise Fund during the fiscal year amounted to \$102,119.

F. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The average useful life of equipment and vehicles ranges from eight to twenty years. The District does not capitalize infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

I. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

J. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.

To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

K. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. At June 30, 2001, the District had contributed capital in the amount of \$42,372.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish budget stabilization and textbook reserves. Fund balance reserves have also been established.

O. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances, budget stabilization and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

P. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ (57,022)	45,610	32,082	\$ (5,585)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	32,311	1,690	13,915	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(47,179)	(3,275)	0	1
Due to Other Sources/Uses	35,201	0	0	0
Budget Basis	\$ (36,689)	44,025	45,997	\$ (5,584)

Note 3. Cash and Investments

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District 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 the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 3. Cash and Investments (continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 3. Cash and Investments (continued)

Deposits: At year end, the carrying amount of the District's deposits was \$1,402 and the bank balance was \$34,818. Of the bank balance, all was covered by federal depository insurance. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category Unclassified	Reported Amount	Fair Value
Star Ohio	<u>\$ 1,608,959</u>	<u>1,608,959</u>	<u>\$ 1,608,959</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,610,386	\$ 0
Investments:		
STAR Ohio	<u>(1,608,959)</u>	<u>1,608,959</u>
Total	1,427	1,608,959
Petty Cash	<u>(25)</u>	
GASB Statement No. 3	<u>\$ 1,402</u>	<u>\$ 1,608,959</u>

Note 4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 4. Property Tax (continued)

County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1996, an update was completed in 1999. The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield County Treasurer collects property taxes on behalf of the District and the Fairfield County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$40.00 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 4,091,780
Real Property-Residential/Agricultural	72,871,220
Real Property-Minerals	960
Personal Property-General	1,483,734
Personal Property-Public Utilities	<u>7,510,020</u>
Total Assessed Value	<u><u>\$ 85,957,714</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 5. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Property Tax Rollbacks	\$ 17
Total General Fund	\$ 17
Debt Service Fund:	
Property Tax Rollbacks	\$ 4
Total Debt Service Fund	\$ 4
Total Intergovernmental Receivable	\$ 21

Note 6. Fixed Assets

The following is a summary of the proprietary funds furniture and equipment at June 30, 2001:

Furniture and Equipment	\$ 112,357
Less Accumulated Depreciation	(83,363)
Net Fixed Assets	\$ 28,994

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 181,113	0	0	\$ 181,113
Buildings	11,433,775	0	0	11,433,775
Furniture and Equipment	2,119,992	73,457	3,738	2,189,711
Vehicles	454,482	52,510	0	506,992
Total General Fixed Assets	\$ 14,189,362	125,967	3,738	\$ 14,311,591

There was no construction in progress at June 30, 2001.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$77,856, \$78,828 and \$73,416 respectively; 46.56 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$44,681 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$325,488, \$294,360 and \$294,480, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$54,248 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 8. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$104,621 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$60,251.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 9. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent is granted 20 days of vacation per year. The Treasurer is granted vacation according to the classified employees schedule with a maximum accumulation of 20 days.

Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10 days
10-19	15 days
20 and beyond	20 days

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified and classified employees is 220 days and 260 days for the Superintendent.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 52 days.

Note 10. Risk Management

General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$5,000 employee dishonesty bond policy, and a \$100,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$17,389,090. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reduction of coverage from the prior years.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 10. Risk Management (continued)

Workers' Compensation-Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 11. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance
	July 1, 2000	Additions	Deletions	June 30, 2001
Intergovernmental Payable	\$ 32,026	25,759	32,026	\$ 25,759
General Obligation Bonds Payable	4,145,000	0	195,000	3,950,000
Compensated Absences Payable	398,083	0	11,452	386,631
	<u>\$ 4,575,109</u>	<u>25,759</u>	<u>238,478</u>	<u>\$ 4,362,390</u>

The \$3,950,000 of outstanding general obligation bonds relate to two projects. The first project was approved in 1985, for which bonds were issued for the purpose of an addition, improving and equipping the high school building and improving the site thereof. These bonds mature December 2007, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$800,000 with an interest rate of 9.25%.

The second bond issue outstanding relates to a project approved in 1995, for which bonds were issued for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive,

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 11. Long-Term Debt (continued)

of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$3,150,000 with an interest rate of 5.77%.

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 200,000	254,737	\$ 454,737
FY2003	210,000	240,121	450,121
FY2004	215,000	224,948	439,948
FY2005	220,000	209,441	429,441
FY2006	225,000	193,588	418,588
FY2007 and thereafter	2,880,000	1,424,646	4,304,646
	<u>\$ 3,950,000</u>	<u>2,547,481</u>	<u>\$ 6,497,481</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District's unvoted debt limit is \$85,958. The voted debt limit at June 30, 2001 is \$7,736,194.

Note 12. Jointly Governed Organizations

Metropolitan Educational Council (MEC) - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

Central Ohio Special Education Regional Resource Center - The Central Ohio Special Education Regional Resource Center (COSSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSSERC.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 13. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform Supplies Fund	Community Service Fund	Total
Operating Revenues	\$ 170,708	16,020	2,696	\$ 189,424
Operating Expenses:				
Depreciation	(1,631)	0	0	(1,631)
Other Expenses	(237,070)	(15,601)	(4,996)	(257,667)
Total Operating Expenses	(238,701)	(15,601)	(4,996)	(259,298)
Operating Income (Loss)	(67,993)	419	(2,300)	(69,874)
Non Operating Revenues				
Operating Grants	68,240	0	0	68,240
Miscellaneous	1,185	0	1,625	2,810
Net Income (Loss)	\$ 1,432	419	(675)	\$ 1,176
Net Working Capital	\$ 9,300	10,366	3,612	\$ 23,278
Total Assets	\$ 59,514	10,366	3,641	\$ 73,521
Total Fund Equity	\$ 34,310	10,366	3,612	\$ 48,288
Total Contributed Capital	\$ 42,372	0	0	\$ 42,372

Note 14. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 15. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

As of the date of these financial statements, the Center is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 16. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2000	\$ 1,102	0	49,981	\$ 51,083
Current Year Set-Aside Requirement	89,873	89,873	0	179,746
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(58,490)	(115,571)	0	(174,061)
Total	<u>32,485</u>	<u>(25,698)</u>	<u>49,981</u>	<u>56,768</u>
Cash Balance Carried Forward to FY2002	<u>\$ 32,485</u>	<u>0</u>	<u>49,981</u>	
Amount Restricted for Budget Stabilization and Textbook Acquisition				<u>\$ 82,466</u>
Total Restricted Assets				<u>\$ 82,466</u>

Although the District had, for the Capital Maintenance Reserve, additional qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements for future years. Negative amounts are, therefore, not presented as being carried forward to the next fiscal year.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

Note 17. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Reporting for Certain Shared Nonexchange Revenues*. At June 30, 2000 there was no effect on fund balances as a result of implementing GASB Statements 33 and 36.

Note 18. Fund Deficits

Fund balances at June 30, 2001, included the following individual deficits:

Fund	Amount
EMIS	\$ (84)
DPIA	\$ (26)
Title VI-R	\$ (29)

These deficits are due primarily to the adjustments for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education
Walnut Township Local School District
Fairfield County, Ohio
11850 Lancaster Street
Millersport, Ohio 43046

We have audited the general-purpose financial statements of Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of District in a separate letter dated December 23, 2002.

Board of Education
Walnut Township Local School District
Fairfield County, Ohio
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

December 23, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

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 9, 2003**