



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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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, 2002, 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, 2002, 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.

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

**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, 2002**

	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)	
General									
<b>Assets and Other Debits:</b>									
Equity in Pooled Cash and Investments	\$ 970,128	96,902	664,333	0	47,606	17,206	0	0	\$ 1,796,175
Restricted Assets	140,889	0	0	0	0	0	0	0	140,889
Taxes Receivables	2,458,696	0	488,394	0	0	0	0	0	2,947,090
Accounts Receivable	40,569	0	0	0	255	0	0	0	40,824
Inventory	0	0	0	0	350	0	0	0	350
Inventory for Resale	0	0	0	0	3,091	0	0	0	3,091
Prepaid Expenses	19,846	0	0	0	0	0	0	0	19,846
Property, Plant, and Equipment	0	0	0	0	112,502	0	14,305,102	0	14,417,604
Accumulated Depreciation, Where Applicable	0	0	0	0	(84,657)	0	0	0	(84,657)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	701,907	701,907
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	3,454,063	3,454,063
<b>Total Assets and Other Debits</b>	<b>\$ 3,630,128</b>	<b>96,902</b>	<b>1,152,727</b>	<b>0</b>	<b>79,147</b>	<b>17,206</b>	<b>14,305,102</b>	<b>4,155,970</b>	<b>\$ 23,437,182</b>

**Walnut Township Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups, Continued  
June 30, 2002**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum 2002 (Only))
<b>Liabilities:</b>									
Intergovernmental Payables	\$ 77,475	689	0	0	7,880	0	0	33,267	\$ 119,311
Accounts Payable	44,227	8,174	0	0	0	0	0	0	52,401
Accrued Salaries and Benefits	370,582	11,739	0	0	13,518	0	0	0	395,839
Deferred Revenue	2,269,513	0	450,820	0	0	0	0	0	2,720,333
Due to Others	0	0	0	0	0	17,206	0	0	17,206
General Obligation Bonds Payable	0	0	0	0	0	0	0	3,750,000	3,750,000
Compensated Absences Payable	34,868	0	0	0	4,308	0	0	372,703	411,879
<b>Total Liabilities</b>	<b>2,796,665</b>	<b>20,602</b>	<b>450,820</b>	<b>0</b>	<b>25,706</b>	<b>17,206</b>	<b>0</b>	<b>4,155,970</b>	<b>7,466,969</b>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	14,305,102	0	14,305,102
Contributed Capital	0	0	0	0	42,372	0	0	0	42,372
Retained Earnings	0	0	0	0	11,069	0	0	0	11,069
<b>Fund Balances:</b>									
Reserved for Encumbrances	21,106	3,271	0	0	0	0	0	0	24,377
Reserved for Budget Stabilization	50,684	0	0	0	0	0	0	0	50,684
Reserved for Textbooks	67,571	0	0	0	0	0	0	0	67,571
Reserved for Capital Improvements	22,634	0	0	0	0	0	0	0	22,634
Reserved for Future Appropriation	189,183	0	37,574	0	0	0	0	0	226,757
Reserved for Prepayments	19,846	0	0	0	0	0	0	0	19,846
Unreserved Fund Balance	462,439	73,029	664,333	0	0	0	0	0	1,199,801
<b>Total Fund Balances</b>	<b>833,463</b>	<b>76,300</b>	<b>701,907</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,611,670</b>
<b>Total Fund Balances/Retained Earnings and Other</b>	<b>833,463</b>	<b>76,300</b>	<b>701,907</b>	<b>0</b>	<b>53,441</b>	<b>0</b>	<b>14,305,102</b>	<b>0</b>	<b>15,970,213</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,630,128</b>	<b>96,902</b>	<b>1,152,727</b>	<b>0</b>	<b>79,147</b>	<b>17,206</b>	<b>14,305,102</b>	<b>4,155,970</b>	<b>\$ 23,437,182</b>

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, 2002**

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	
					Expendable Trust	
<b>REVENUES:</b>						
Revenue from Local Sources						
Taxes	\$ 2,298,159	0	452,826	0	0	\$ 2,750,985
Tuition	257,706	0	0	0	0	257,706
Earnings on Investments	49,871	0	0	0	0	49,871
Extracurricular Activities	0	51,491	0	0	0	51,491
Classroom Materials & Fees	4,716	0	0	0	0	4,716
Miscellaneous	5,986	26,650	0	0	1,000	33,636
Revenue from State Sources						
Unrestricted Grants-in-Aid	1,891,215	0	56,053	0	0	1,947,268
Restricted Grants-in-Aid	25,278	28,131	0	0	0	53,409
Revenue for/on Behalf of District	500	0	0	0	0	500
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	154,981	0	0	0	154,981
<b>Total Revenue</b>	<b>4,533,431</b>	<b>261,253</b>	<b>508,879</b>	<b>0</b>	<b>1,000</b>	<b>5,304,563</b>
<b>EXPENDITURES:</b>						
Instruction						
Regular Instruction	2,019,739	58,726	0	690	0	2,079,155
Special Instruction	410,339	102,329	0	0	0	512,668
Vocational Instruction	40,907	0	0	0	0	40,907
Supporting Services						
Supporting Services-Pupils	233,450	5,112	0	0	1,000	239,562
Supporting Services-Instructional Staff	69,068	7,447	0	0	0	76,515
Supporting Services-Board of Education	131,714	0	0	0	0	131,714
Supporting Services-Administration	331,434	15,401	0	0	0	346,835
Fiscal Services	188,940	6,071	7,853	3,245	0	206,109
Operation & Maintenance-Plant	379,237	735	0	0	0	379,972
Supporting Services-Pupil Transportation	233,193	0	0	0	0	233,193
Supporting Services-Central	5,179	1,885	0	0	0	7,064
Operation of Non-Instructional Services						
Community Services	1,316	0	0	0	0	1,316
Extracurricular Activities						
Academic & Subject Oriented	33,578	0	0	0	0	33,578
Sports Oriented	79,634	57,167	0	0	0	136,801
Co-Curricular Activities	0	9,272	0	0	0	9,272
Debt Service						
Repayment of Debt	0	0	454,738	0	0	454,738
<b>Total Expenditures</b>	<b>4,157,728</b>	<b>264,145</b>	<b>462,591</b>	<b>3,935</b>	<b>1,000</b>	<b>4,889,399</b>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	375,703	(2,892)	46,288	(3,935)	0	415,164
Other Financing Sources and Uses:						
Sale & Loss of Assets	529	0	0	0	0	529
Other Receipts	37,592	0	0	0	0	37,592
Transfers-Out	(342)	0	0	0	0	(342)
<b>Net Other Financing Sources and Uses</b>	<b>37,779</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,779</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursement and Other Uses	413,482	(2,892)	46,288	(3,935)	0	452,943
Increase in Inventory	(3,493)	0	0	0	0	(3,493)
Beginning Fund Balance	423,474	79,192	655,619	3,935	0	1,162,220
<b>Ending Fund Balance</b>	<b>\$ 833,463</b>	<b>76,300</b>	<b>701,907</b>	<b>0</b>	<b>0</b>	<b>\$ 1,611,670</b>

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, 2002**

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 2,237,241	2,170,210	(67,031)	0	0	\$ 0
Tuition	164,354	257,706	93,352	0	0	0
Earnings on Investment	75,000	52,537	(22,463)	0	0	0
Extracurricular Activities	0	0	0	52,485	51,491	(994)
Classroom Materials & Fees	6,400	4,634	(1,766)	0	0	0
Miscellaneous	5,400	5,986	586	28,925	26,885	(2,040)
State Unrestricted Grants-in-Aid	1,746,392	1,891,233	144,841	0	0	0
State Restricted Grants-in-Aid	29,173	25,278	(3,895)	27,473	28,131	658
Fed. Revenue for/on Behalf of District	500	500	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	153,498	154,981	1,483
<b>Total Revenue</b>	<b>4,264,460</b>	<b>4,408,084</b>	<b>143,624</b>	<b>262,381</b>	<b>261,488</b>	<b>(893)</b>
<b>Expenditures:</b>						
Regular Instruction	2,087,014	1,997,261	89,753	89,254	58,058	31,196
Special Instruction	499,661	390,509	109,152	115,749	103,288	12,461
Vocational Instruction	36,972	35,066	1,906	0	0	0
Support Services-Pupils	264,692	245,866	18,826	8,496	5,163	3,333
Support Services-Instructional Staff	73,865	71,600	2,265	10,094	7,138	2,956
Support Services-Board of Education	147,732	141,164	6,568	0	0	0
Support Services-Administration	338,225	325,977	12,248	21,204	15,399	5,805
Fiscal Services	203,282	188,559	14,723	6,042	6,042	0
Operation & Maintenance-Plant	495,372	380,300	115,072	735	735	0
Support Services-Transportation	314,528	238,120	76,408	0	0	0
Support Services-Central	6,466	5,179	1,287	6,000	1,885	4,115
Community Services	3,305	1,384	1,921	0	0	0
Academic & Subject Oriented	34,235	34,032	203	1,205	0	1,205
Sports Oriented	83,016	79,656	3,360	65,210	61,059	4,151
Co-Curricular Activities	0	0	0	12,743	11,699	1,044
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>4,588,365</b>	<b>4,134,673</b>	<b>453,692</b>	<b>336,732</b>	<b>270,466</b>	<b>66,266</b>
Excess of Revenue Over (Under) Expenditures	(323,905)	273,411	597,316	(74,351)	(8,978)	65,373
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	1,000	470	(530)	0	0	0
Refund of Prior Years Rec/Exp	5,000	3,302	(1,698)	0	0	0
Transfers-Out	(38,375)	(342)	38,033	0	0	0
<b>Total Other Sources (Uses)</b>	<b>(32,375)</b>	<b>3,430</b>	<b>35,805</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(356,280)</b>	<b>276,841</b>	<b>633,121</b>	<b>(74,351)</b>	<b>(8,978)</b>	<b>65,373</b>
Beginning Fund Balance	734,202	734,202	0	88,405	88,405	0
Prior Year Carry Over Encumbrances	77,579	77,579	0	6,675	6,675	0
<b>Ending Fund Balance</b>	<b>\$ 455,501</b>	<b>1,088,622</b>	<b>633,121</b>	<b>20,729</b>	<b>86,102</b>	<b>\$ 65,373</b>

(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, 2002**

	Debt Service Fund			Capital Projects Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 458,190	428,756	(29,434)	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	56,000	56,057	57	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	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
<b>Total Revenue</b>	<b>514,190</b>	<b>484,813</b>	<b>(29,377)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenditures:						
Regular Instruction	0	0	0	691	691	0
Special Instruction	0	0	0	0	0	0
Vocational 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	11,500	7,854	3,646	3,245	3,245	0
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	454,738	454,738	0	0	0	0
<b>Total Expenditures</b>	<b>466,238</b>	<b>462,592</b>	<b>3,646</b>	<b>3,936</b>	<b>3,936</b>	<b>0</b>
Excess of Revenue Over (Under) Expenditures	47,952	22,221	(25,731)	(3,936)	(3,936)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Refund of Prior Years Rec/Exp	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	47,952	22,221	(25,731)	(3,936)	(3,936)	0
Beginning Fund Balance	642,110	642,110	0	3,936	3,936	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$ 690,062</b>	<b>664,331</b>	<b>(25,731)</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>

(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, 2002**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	2,695,431	2,598,966	\$ (96,465)
Tuition	0	0	0	164,354	257,706	93,352
Earnings on Investment	0	0	0	75,000	52,537	(22,463)
Extracurricular Activities	0	0	0	52,485	51,491	(994)
Classroom Materials & Fees	0	0	0	6,400	4,634	(1,766)
Miscellaneous	1,000	1,000	0	35,325	33,871	(1,454)
State Unrestricted Grants-in-Aid	0	0	0	1,802,392	1,947,290	144,898
State Restricted Grants-in-Aid	0	0	0	56,646	53,409	(3,237)
Fed. Revenue for/on Behalf of District	0	0	0	500	500	0
Federal Restricted Grants-in-Aid	0	0	0	153,498	154,981	1,483
<b>Total Revenue</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>	<b>5,042,031</b>	<b>5,155,385</b>	<b>113,354</b>
Expenditures:						
Regular Instruction	0	0	0	2,176,959	2,056,010	120,949
Special Instruction	0	0	0	615,410	493,797	121,613
Vocational Instruction	0	0	0	36,972	35,066	1,906
Support Services-Pupils	1,000	1,000	0	274,188	252,029	22,159
Support Services-Instructional Staff	0	0	0	83,959	78,738	5,221
Support Services-Board of Education	0	0	0	147,732	141,164	6,568
Support Services-Administration	0	0	0	359,429	341,376	18,053
Fiscal Services	0	0	0	224,069	205,700	18,369
Operation & Maintenance-Plant	0	0	0	496,107	381,035	115,072
Support Services-Transportation	0	0	0	314,528	238,120	76,408
Support Services-Central	0	0	0	12,466	7,064	5,402
Community Services	0	0	0	3,305	1,384	1,921
Academic & Subject Oriented	0	0	0	35,440	34,032	1,408
Sports Oriented	0	0	0	148,226	140,715	7,511
Co-Curricular Activities	0	0	0	12,743	11,699	1,044
Repayment of Debt	0	0	0	454,738	454,738	0
<b>Total Expenditures</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>	<b>5,396,271</b>	<b>4,872,667</b>	<b>523,604</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(354,240)	282,718	636,958
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	1,000	470	(530)
Refund of Prior Years Rec/Exp	0	0	0	5,000	3,302	(1,698)
Transfers-Out	0	0	0	(38,375)	(342)	38,033
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(32,375)</b>	<b>3,430</b>	<b>35,805</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(386,615)	286,148	672,763
Beginning Fund Balance	1,000	1,000	0	1,469,653	1,469,653	0
Prior Year Carry Over Encumbrances	0	0	0	84,254	84,254	0
<b>Ending Fund Balance</b>	<b>\$ 1,000</b>	<b>1,000</b>	<b>0</b>	<b>1,167,292</b>	<b>1,840,055</b>	<b>\$ 672,763</b>

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, 2002**

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 176,637
Extracurricular Activities	20
Classroom Materials & Fees	16,404
Total Operating Revenue	193,061
Operating Expenses:	
Personal Services - Salary	88,498
Employee Benefits	40,516
Purchased Services	2,175
Supplies and Materials	127,441
Depreciation	1,622
Total Operating Expenses	260,252
Operating Loss	(67,191)
Non-Operating Revenues:	
Earnings on Investment	747
Miscellaneous	100
State Restricted Grants-in-Aid	4,103
Federal Unrestricted Grants-in-Aid	55,880
Federal Donated Commodities	11,277
Total Non-Operating Revenue	72,107
Non-Operating Expenses:	
Loss on Disposal of Assets	105
Total Non-Operating Expenses	105
Net Income Before Operating Transfers	4,811
Transfers-In	342
Total Transfers	342
Net Income	5,153
Beginning Retained Earnings	5,916
Retained Earnings at End of Year	\$ 11,069

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, 2002**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (67,191)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	1,622
Federal Commodities	11,277
Net Increase (Decrease) in Assets:	
Accounts Receivable	42
Inventory	840
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	(978)
Compensated Absences	324
Accrued Wages and Benefits	1,127
Net Adjustments	<u>14,254</u>
Net Cash Used in Operating Activities	(52,937)
Cash Flows from Noncapital Financing Activities:	
Earnings on Investments	747
Grants from State Sources	4,103
Grants from Federal Sources	55,880
Other Sources	442
Net Cash Provided by Non-capital Financing Sources	<u>61,172</u>
Cash Flows Provided by Capital Financing Activities:	
Acquisition of Capital Assets	(578)
Net Cash Provided by Capital Financing Activities	<u>(578)</u>
Net Increase in Cash & Cash Equivalents	7,657
Cash and Cash Equivalents at Beginning of Year	<u>39,949</u>
Cash and Cash Equivalents at End of Year	<u>\$ 47,606</u>
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, 2002**

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**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, 2001, was 755. The District employed 51 certified employees and 26 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  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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, 2002**

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**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, 2002**

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**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, 2002, but which were levied to finance fiscal year 2003 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, 2002**

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**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).

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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, 2002.

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 \$50,618.

**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, 2002 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, 2002**

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**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, 2002 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, 2002, the District had contributed capital in the amount of \$42,372.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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, textbook and capital improvement 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, 2002**

**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	\$ 413,482	(2,892)	46,288	\$ (3,935)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(125,347)	235	(24,066)	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	23,055	(6,321)	(1)	(1)
Due to Other Sources/Uses	(34,349)	0	0	0
Budget Basis	\$ 276,841	(8,978)	22,221	\$ (3,936)

**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, 2002**

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**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, 2002**

**Note 3. Cash and Investments (continued)**

**Deposits:** At year end, the carrying amount of the District's deposits was \$2,761 and the bank balance was \$69,463. 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>\$ 1,934,278</u>	<u>1,934,278</u>	<u>\$ 1,934,278</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	\$ 1,937,064	\$ 0
Investments:		
STAR Ohio	<u>(1,934,278)</u>	<u>1,934,278</u>
Total	2,786	1,934,278
Petty Cash	(25)	
GASB Statement No. 3	<u>\$ 2,761</u>	<u>\$ 1,934,278</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 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 2001, an update will be done in 2004. The next revaluation is scheduled for 2007. 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, 2002 for operations was \$38.00 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 6,122,610
Real Property-Residential/Agricultural	87,651,920
Real Property-Minerals	43,280
Personal Property-General	1,305,490
Personal Property-Public Utilities	<u>5,184,550</u>
Total Assessed Value	<u>\$ 100,307,850</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 5. Receivables**

Receivables at June 30, 2002 consisted of interest, and accounts (miscellaneous). 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.

**Note 6. Fixed Assets**

The following is a summary of the proprietary funds furniture and equipment at June 30, 2002:

Furniture and Equipment	\$	112,502
Less Accumulated Depreciation		<u>(84,657)</u>
Net Fixed Assets	\$	<u><u>27,845</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 181,113	0	0	\$ 181,113
Buildings	11,433,775	0	0	11,433,775
Furniture and Equipment	2,189,711	23,464	19,376	2,193,799
Vehicles	506,992	0	10,577	496,415
Total General Fixed Assets	<u>\$ 14,311,591</u>	<u>23,464</u>	<u>29,953</u>	<u>\$ 14,305,102</u>

There was no construction in progress at June 30, 2002.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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 (the latest information available), 4.2 percent of annual covered salary was the portion used to fund 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, 2002, 2001, and 2000 were \$88,800, \$77,856 and \$78,828, respectively; 45.79 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$52,553 representing the unpaid contribution for fiscal year 2002, 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, 2002, 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 (the latest information available), 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, 2002, 2001, and 2000 were \$308,736, \$325,488 and \$294,360, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$51,456 representing the unpaid contribution for fiscal year 2002, 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, 2002**

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**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 latest information available), 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 \$99,237 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) 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 (the latest information available), 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$70,312.

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, (the latest information available), 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, 2002**

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**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 \$3,000,000 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 \$17,491,390. 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, 2002**

**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, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 25,759	33,267	25,759	\$ 33,267
General Obligation Bonds Payable	3,950,000	0	200,000	3,750,000
Compensated Absences Payable	386,631	372,703	386,631	372,703
	<u>\$ 4,362,390</u>	<u>405,970</u>	<u>612,390</u>	<u>\$ 4,155,970</u>

The \$3,750,000 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 \$690,000 with an interest rate of 9.25%.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 11. Long-Term Debt (continued)**

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, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$3,060,000 with an interest rate of 5.77%.

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
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	230,000	176,691	406,691
FY2008 and thereafter	2,650,000	1,247,955	3,897,955
	<u>\$ 3,750,000</u>	<u>2,292,744</u>	<u>\$ 6,042,744</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 \$100,308. The voted debt limit at June 30, 2002 is \$9,027,707.

**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 it's 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, 2002**

**Note 13. Segments of Enterprise Activities**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform Supplies Fund	Community Service Fund	Total
Operating Revenues	\$ 176,637	16,404	20	\$ 193,061
Operating Expenses:				
Depreciation	(1,622)	0	0	(1,622)
Other Expenses	(237,940)	(16,958)	(3,732)	(258,630)
Total Operating Expenses	<u>(239,562)</u>	<u>(16,958)</u>	<u>(3,732)</u>	<u>(260,252)</u>
Operating Income (Loss)	(62,925)	(554)	(3,712)	(67,191)
Non Operating Revenues				
Operating Grants	71,260	0	0	71,260
Transfers-In/Out	0	342	0	342
Loss on Disposal of Assets	(105)	0	0	(105)
Miscellaneous	747	0	100	847
Net Income (Loss)	<u>\$ 8,977</u>	<u>(212)</u>	<u>(3,612)</u>	<u>\$ 5,153</u>
Net Working Capital	<u>\$ 19,750</u>	<u>10,154</u>	<u>0</u>	<u>\$ 29,904</u>
Total Assets	<u>\$ 68,993</u>	<u>10,154</u>	<u>0</u>	<u>\$ 79,147</u>
Total Fund Equity	<u>\$ 43,287</u>	<u>10,154</u>	<u>0</u>	<u>\$ 53,441</u>
Total Contributed Capital	<u>\$ 42,372</u>	<u>0</u>	<u>0</u>	<u>\$ 42,372</u>

**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, 2002.

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, 2002.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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, 2002, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2001	\$ 32,485	0	50,684	\$ 83,169
Current Year Set-Aside Requirement	88,418	88,418	0	176,836
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(53,332)	(65,784)	0	(119,116)
Total	<u>67,571</u>	<u>22,634</u>	<u>50,684</u>	<u>140,889</u>
Cash Balance Carried Forward to FY2003	<u>\$ 67,571</u>	<u>22,634</u>	<u>50,684</u>	
Amount Restricted for Budget Stabilization, Textbook and Capital Acquisitions				<u>\$ 140,889</u>
Total Restricted Assets				<u>\$ 140,889</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 17. Fund Deficits**

Fund balances at June 30, 2002, included the following individual deficits:

Fund	Amount
EMIS	\$ (38)
DPIA	\$ (1,024)
Ohio Reads	\$ (14)
Title VI-R	\$ (1,605)

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

JIM PETRO, AUDITOR OF STATE

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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  
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, 2002, 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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JIM PETRO, AUDITOR OF STATE

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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**