



**Auditor of State
Betty Montgomery**

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget And Actual (NON-GAAP Basis) – All Governmental Fund Types and Expendable Trust Fund	5
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type.....	8
Combined Statement of Cash Flows – Proprietary Fund Type	9
Notes to the Financial Statements	11
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	33

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2003, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2003, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

March 15, 2005

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:									
Equity in Pooled Cash and Cash Equivalents	\$1,164,073	\$169,013	\$688,223	\$0	\$54,502	\$17,818	\$0	\$0	\$2,093,629
Restricted Assets - Equity in Pooled Cash and Cash Equivalents	57,711	0	0	0	0	0	0	0	57,711
Taxes Receivable	2,576,733	0	454,495	0	0	0	0	0	3,031,228
Intergovernmental Receivable	42,811	13,160	0	0	0	0	0	0	55,971
Accounts Receivable	2,855	0	0	0	61	1,018	0	0	3,934
Inventory	0	0	0	0	405	0	0	0	405
Inventory for Resale	0	0	0	0	3,543	0	0	0	3,543
Prepaid Expenses	22,838	0	0	0	0	0	0	0	22,838
Property, Plant, and Equipment	0	0	0	0	112,949	0	14,603,935	0	14,716,884
Accumulated Depreciation, Where Applicable	0	0	0	0	(86,331)	0	0	0	(86,331)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	703,259	703,259
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	3,215,156	3,215,156
Total Assets and Other Debits	\$3,867,021	\$182,173	\$1,142,718	\$0	\$85,129	\$18,836	\$14,603,935	\$3,918,415	\$23,818,227
Liabilities:									
Intergovernmental Payables	\$73,016	\$1,076	\$0	\$0	\$7,364	\$0	\$0	\$32,217	\$113,673
Accounts Payable	29,528	578	0	0	0	0	0	0	30,106
Accrued Salaries and Benefits	366,783	11,969	0	0	14,002	0	0	0	392,754
Deferred Revenue	2,492,039	0	439,459	0	0	0	0	0	2,931,498
Due to Others	0	0	0	0	0	18,796	0	0	18,796
General Obligation Bonds Payable	0	0	0	0	0	0	0	3,540,000	3,540,000
Compensated Absences Payable	21,680	0	0	0	8,887	0	0	346,198	376,765
Total Liabilities	2,983,046	13,623	439,459	0	30,253	18,796	0	3,918,415	7,403,592
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	14,603,935	0	14,603,935
Contributed Capital	0	0	0	0	42,372	0	0	0	42,372
Retained Earnings	0	0	0	0	12,504	0	0	0	12,504
Fund Balances:									
Reserved for Encumbrances	7,222	12,236	0	0	0	0	0	0	19,458
Reserved for Budget Stabilization	50,684	0	0	0	0	0	0	0	50,684
Reserved for Textbooks	7,027	0	0	0	0	0	0	0	7,027
Reserved for Future Appropriation	84,693	0	15,037	0	0	0	0	0	99,730
Reserved for Prepays	22,838	0	0	0	0	0	0	0	22,838
Unreserved Fund Balance - Designated	0	106,124	0	0	0	0	0	0	106,124
Unreserved Fund Balance - Undesignated	711,511	50,190	688,222	0	0	40	0	0	1,449,963
Total Fund Balances	883,975	168,550	703,259	0	0	40	0	0	1,755,824
Total Fund Balances/Retained Earnings and Other Credits	883,975	168,550	703,259	0	54,876	40	14,603,935	0	16,414,635
Total Liabilities, Fund Equity, and Other Credits	\$3,867,021	\$182,173	\$1,142,718	\$0	\$85,129	\$18,836	\$14,603,935	\$3,918,415	\$23,818,227

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
REVENUES:						
Revenue from Local Sources						
Taxes	\$2,291,328	\$0	\$405,693	\$0	\$0	\$2,697,021
Tuition	342,969	0	0	0	0	342,969
Earnings on Investments	34,101	0	0	0	0	34,101
Extracurricular Activities	29,898	53,117	0	0	0	83,015
Classroom Materials & Fees	5,618	0	0	0	0	5,618
Miscellaneous	57,872	41,102	0	0	3,235	102,209
Revenue from State Sources						
Unrestricted Grants-in Aid	1,892,927	0	54,175	0	0	1,947,102
Restricted Grants-in Aid	42,052	28,484	0	11,082	0	81,618
Restricted from Federal Sources						
Restricted Grants-in Aid	0	159,455	0	0	0	159,455
Total Revenue	4,696,765	282,158	459,868	11,082	3,235	5,453,108
EXPENDITURES:						
Instruction						
Regular Instruction	2,259,432	69,614	0	11,082	2,195	2,342,323
Special Instruction	339,187	121,135	0	0	0	460,322
Vocational Instruction	42,206	0	0	0	0	42,206
Supporting Services						
Supporting Services-Pupils	282,745	10,280	0	0	1,000	294,025
Supporting Services-Instructional Staff	87,877	11,875	0	0	0	99,752
Supporting Services-Board of Education	120,870	0	0	0	0	120,870
Supporting Services-Administration	331,006	11,582	0	0	0	342,588
Fiscal Services	210,919	5,992	8,395	0	0	225,306
Operation & Maintenance-Plant	444,323	653	0	0	0	444,976
Supporting Services-Pupil Transportation	299,244	0	0	0	0	299,244
Supporting Services-Central	6,734	5,115	0	0	0	11,849
Extracurricular Activities						
Academic & Subject Oriented	33,695	0	0	0	0	33,695
Sports Oriented	82,403	50,659	0	0	0	133,062
Co-Curricular Activities	0	9,127	0	0	0	9,127
Debt Service						
Principal	0	0	210,000	0	0	210,000
Interest	0	0	240,121	0	0	240,121
Total Expenditures	4,540,641	296,032	458,516	11,082	3,195	5,309,466
Excess of Revenues Over(Under) Expenditures	156,124	(13,874)	1,352	0	40	143,642
OTHER FINANCING SOURCES (USES):						
Sale of Assets	1,157	0	0	0	0	1,157
Transfers-In	0	106,124	0	0	0	106,124
Transfers-Out	(106,769)	0	0	0	0	(106,769)
Net Other Financing Sources and Uses	(105,612)	106,124	0	0	0	512
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	50,512	92,250	1,352	0	40	144,154
Beginning Fund Balance	833,463	76,300	701,907	0	0	1,611,670
Ending Fund Balance	\$883,975	\$168,550	\$703,259	\$0	\$40	\$1,755,824

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**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, 2003**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$2,372,000	\$2,395,817	\$23,817	\$0	\$0	\$0
Tuition	321,362	340,126	18,764	0	0	0
Earnings on Investment	33,312	35,198	1,886	0	0	0
Extracurricular Activities	27,433	29,898	2,465	60,579	53,117	(7,462)
Classroom Materials & Fees	5,879	5,613	(266)	0	0	0
Miscellaneous	3,920	3,540	(380)	46,831	41,102	(5,729)
State Unrestricted Grants-in-Aid	1,812,674	1,892,927	80,253	0	0	0
State Restricted Grants-in-Aid	38,994	42,052	3,058	33,226	28,484	(4,742)
Federal Restricted Grants-in-Aid	0	0	0	162,201	146,295	(15,906)
Total Revenue	4,615,574	4,745,171	129,597	302,837	268,998	(33,839)
Expenditures:						
Regular Instruction	2,317,795	2,288,913	28,882	92,415	70,473	21,942
Special Instruction	393,570	358,378	35,192	148,220	119,961	28,259
Vocational Instruction	43,067	41,771	1,296	0	0	0
Support Services-Pupils	289,225	281,921	7,304	12,702	10,280	2,422
Support Services-Instructional Staff	87,535	80,278	7,257	15,917	12,613	3,304
Support Services-Board of Education	132,975	123,132	9,843	0	0	0
Support Services-Administration	337,295	331,310	5,985	14,748	11,936	2,812
Fiscal Services	223,733	213,589	10,144	7,413	6,000	1,413
Operation & Maintenance-Plant	476,176	449,372	26,804	807	653	154
Support Services-Transportation	321,253	300,457	20,796	0	0	0
Support Services-Central	8,170	6,726	1,444	14,969	12,115	2,854
Academic & Subject Oriented	34,727	33,711	1,016	1,539	0	1,539
Sports Oriented	90,222	82,680	7,542	74,437	60,245	14,192
Co-Curricular Activities	0	0	0	14,366	11,627	2,739
Repayment of Debt						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Expenditures	4,755,743	4,592,238	163,505	397,533	315,903	81,630
Excess of Revenues Over (Under) Expenditures	(140,169)	152,933	293,102	(94,696)	(46,905)	47,791
Other Financing Sources (Uses):						
Sale of Assets	1,959	1,083	(876)	0	0	0
Transfers-In	0	0	0	106,124	106,124	0
Refund of Prior Year Expenditures	48,988	51,059	2,071	0	0	0
Transfers-Out	(108,896)	(106,769)	2,127	0	0	0
Total Other Sources (Uses)	(57,949)	(54,627)	3,322	106,124	106,124	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(198,118)	98,306	296,424	11,428	59,219	47,791
Beginning Fund Balance	1,088,622	1,088,622	0	86,102	86,102	0
Prior Year Carry Over Encumbrances	22,398	22,398	0	10,802	10,802	0
Ending Fund Balance	\$912,902	\$1,209,326	\$296,424	\$108,332	\$156,123	\$47,791

(Continued)

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**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, 2003**

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$428,400	\$428,231	(\$169)	\$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	54,000	54,175	175	11,082	11,082	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	482,400	482,406	6	11,082	11,082	0
Expenditures:						
Regular Instruction	0	0	0	11,082	11,082	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	9,500	8,395	1,105	0	0	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
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						
Principal	210,000	210,000	0	0	0	0
Interest	240,121	240,121	0	0	0	0
Total Expenditures	459,621	458,516	1,105	11,082	11,082	0
Excess of Revenues Over (Under) Expenditures	22,779	23,890	1,111	0	0	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfers-Out	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	22,779	23,890	1,111	0	0	0
Beginning Fund Balance	664,331	664,331	0	0	0	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
Ending Fund Balance	\$687,110	\$688,221	\$1,111	\$0	\$0	\$0

(Continued)

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**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, 2003**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$2,800,400	\$2,824,048	\$23,648
Tuition	0	0	0	321,362	340,126	18,764
Earnings on Investment	0	0	0	33,312	35,198	1,886
Extracurricular Activities	0	0	0	88,012	83,015	(4,997)
Classroom Materials & Fees	0	0	0	5,879	5,613	(266)
Miscellaneous	11,000	3,235	(7,765)	61,751	47,877	(13,874)
State Unrestricted Grants-in-Aid	0	0	0	1,877,756	1,958,184	80,428
State Restricted Grants-in-Aid	0	0	0	72,220	70,536	(1,684)
Federal Restricted Grants-in-Aid	0	0	0	162,201	146,295	(15,906)
Total Revenue	11,000	3,235	(7,765)	5,422,893	5,510,892	87,999
Expenditures:						
Regular Instruction	10,000	2,195	7,805	2,431,292	2,372,663	58,629
Special Instruction	0	0	0	541,790	478,339	63,451
Vocational Instruction	0	0	0	43,067	41,771	1,296
Support Services-Pupils	1,000	1,000	0	302,927	293,201	9,726
Support Services-Instructional Staff	0	0	0	103,452	92,891	10,561
Support Services-Board of Education	0	0	0	132,975	123,132	9,843
Support Services-Administration	0	0	0	352,043	343,246	8,797
Fiscal Services	0	0	0	240,646	227,984	12,662
Operation & Maintenance-Plant	0	0	0	476,983	450,025	26,958
Support Services-Transportation	0	0	0	321,253	300,457	20,796
Support Services-Central	0	0	0	23,139	18,841	4,298
Academic & Subject Oriented	0	0	0	36,266	33,711	2,555
Sports Oriented	0	0	0	164,659	142,925	21,734
Co-Curricular Activities	0	0	0	14,366	11,627	2,739
Repayment of Debt						
Principal	0	0	0	210,000	210,000	0
Interest	0	0	0	240,121	240,121	0
Total Expenditures	11,000	3,195	7,805	5,634,979	5,380,934	254,045
Excess of Revenues Over (Under) Expenditures	0	40	40	(212,086)	129,958	342,044
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	1,959	1,083	(876)
Transfers-In	0	0	0	106,124	106,124	0
Refund of Prior Year Expenditures	0	0	0	48,988	51,059	2,071
Transfers-Out	0	0	0	(108,896)	(106,769)	2,127
Total Other Sources (Uses)	0	0	0	48,175	51,497	3,322
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	40	40	(163,911)	181,455	345,366
Beginning Fund Balance	0	0	0	1,839,055	1,839,055	0
Prior Year Carry Over Encumbrances	0	0	0	33,200	33,200	0
Ending Fund Balance	\$0	\$40	\$40	\$1,708,344	\$2,053,710	\$345,366

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003**

	<u>Enterprise Funds</u>
Operating Revenues:	
Food Services	\$168,043
Classroom Materials & Fees	12,898
Total Operating Revenue	<u>180,941</u>
Operating Expenses:	
Personal Services-Salary	95,523
Employee Benefits	40,758
Purchased Services	1,535
Supplies and Materials	113,640
Depreciation	1,673
Total Operating Expense	<u>253,129</u>
Operating Loss	(72,188)
Non-Operating Revenues:	
Earnings on Investment	520
State Unrestricted Grants-in-Aid	2,993
Federal Unrestricted Grants-in-Aid	57,452
Federal Restricted Grants-in-Aid	12,013
Total Non-Operating Revenue	<u>72,978</u>
Net Income Before Operating Transfers	790
Transfers-In	<u>645</u>
Net Income	1,435
Beginning Retained Earnings	<u>11,069</u>
Retained Earnings at End of Year	<u><u>\$12,504</u></u>

See accompanying notes to the General Purpose Financial Statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003**

	<u>Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$181,113
Cash Payments to Employees for Services	(90,805)
Cash Payments for Employees Benefit	(40,926)
Cash Payments for Goods and Services	(103,670)
Net Cash Used in Operating Activities	<u>(54,288)</u>
Cash Flows from Investing Activities	
Interest on Investment	541
Net Cash Provided by Investing Activities	<u>541</u>
Cash Flows from Noncapital Financing Activities	
Grants from State Sources	2,993
Grants from Federal Sources	57,452
Operating Transfer-In	645
Net Cash provided by Noncapital Financing Activities	<u>61,090</u>
Cash Flows from Capital Activities	
Acquisition of Property, Plant, and Equipment	(447)
Net Cash Used for Capital Activities	<u>(447)</u>
Net Decrease in Cash and Cash Equivalents	6,896
Cash and Cash Equivalents Beginning of Year	<u>47,606</u>
Cash and Cash Equivalents End of Year	<u><u>\$54,502</u></u>

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003**

**Reconciliation of Operating Loss to Net Cash
Provided by (Used in) Operating Activities**

Operating Loss	(\$72,188)
Adjustments:	
Depreciation	1,673
Donated Commodities	12,013
(Increase) Decrease in Assets:	
Accounts Receivable	194
Materials and Supplies Inventory	(55)
Inventory Held for Resale	(452)
Increase (Decrease) in Liabilities:	
Accrued Wages	484
Compensated Absences	4,569
Intergovernmental Payable	(526)
Total Adjustments	<u>17,900</u>
Net Cash Used In Operating Activities	<u><u>(\$54,288)</u></u>
Supplementation Information	
Noncash Activities - Donated Commodities	\$12,013

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, 2003**

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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. 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 3311.03 of the Ohio Revised Code. The District operates under an elected 5-member Board of Education and is responsible for the provision of public education to the residents of the District.

Average daily membership (ADM) as of October 1, 2002, was 747. The District employed 49 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 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 11 and 13 to the general-purpose financial statements.

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.

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, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (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 Fund. This fund accounts 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 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 the District's long-term obligations other than those accounted for in the Proprietary Funds.

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 and expendable trust funds 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 net current assets.

All proprietary funds and nonexpendable trust 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 operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the 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. Revenue from grants, entitlements and donations is recognized in the 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 District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, accounts and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003 that are intended to finance fiscal year 2004 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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 the governmental funds.

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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 and Expendable Trust Fund" in accordance with the budget basis of accounting.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained throughout the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. 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 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, 2003.

Following 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 \$34,621.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2003. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2003 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003 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.

I. 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 interest incurred during construction of fixed assets.

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, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003, the District had contributed capital in the amount of \$42,372.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Interfund transactions 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 Equity

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 encumbrances, budget stabilization, textbooks, future appropriation, and prepaids. 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. Designations of fund balance represent tentative management plans that are subject to change. The District has designated funds for use in paying termination benefits. 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.

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

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) for the governmental fund types and expendable trust fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis of accounting and GAAP basis are that:

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 2. BUDGETARY BASIS OF ACCOUNTING (Continued)

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid (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)

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.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Fund				
	General Fund	Special Revenue	Debt Service	Expendable Trust
GAAP Basis	\$50,512	\$92,250	\$1,352	\$40
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	102,738	(13,160)	22,538	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(51,597)	(19,871)	0	0
Due to Other Sources/Uses	(3,347)	0	0	0
Budget Basis	\$98,306	\$59,219	\$23,890	\$40

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, 2003
(Continued)**

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.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Cash on Hand: At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits: At year end, the carrying amount of the District's deposits was \$1,207 and the bank balance was \$51,783. All was covered by federal depository insurance.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 3. CASH AND INVESTMENTS (Continued)

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. The District only invests in STAR Ohio which is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying and Fair Value
STAR Ohio	<u>\$2,150,108</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 follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$2,151,340	\$0
Investments:		
STAR Ohio	<u>(2,150,108)</u>	<u>2,150,108</u>
Total	1,232	2,150,108
Petty Cash	(25)	0
GASB Statement No. 3	<u>\$1,207</u>	<u>\$2,150,108</u>

NOTE 4. PROPERTY TAXES

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 4. PROPERTY TAXES (Continued)

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, 2003 for operations was \$37.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$6,057,660
Real Property-Residential/Agricultural	88,333,770
Real Property-Minerals	46,520
Personal Property-General	1,658,688
Personal Property-Public Utilities	5,374,140
	<hr/>
Total Assessed Value	<u>\$101,470,778</u>

NOTE 5. INCOME TAX

In May, 2003, the District passed a 1.25 percent income tax levy for general operations on the income of residents. The tax will become effective on January 1, 2004, and continues for ten years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is to be credited to the General Fund.

NOTE 6. RECEIVABLES

Receivables at June 30, 2003 consisted of grants, taxes, 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. A summary of intergovernmental receivables follows:

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 6. RECEIVABLES (Continued)

General Fund	
Speech Therapy Reimbursement	\$39,307
Tuition Reimbursement	2,842
Federal Fuel Tax Reimbursement	662
Special Revenue Funds	
Title I	<u>13,160</u>
Total Intergovernmental Receivables	<u><u>\$55,971</u></u>

NOTE 7. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2003:

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land	\$48,750	\$0	\$0	\$48,750
Improvements	132,363	0	0	132,363
Buildings	11,433,775	0	0	11,433,775
Furniture and Equipment	2,100,579	132,369	4,582	2,228,366
Vehicles	496,415	98,492	0	594,907
Textbooks and Library Books	93,220	72,554	0	165,774
Total General Fixed Assets	<u>\$14,305,102</u>	<u>\$303,415</u>	<u>\$4,582</u>	<u>\$14,603,935</u>

There was no construction in progress at June 30, 2003.

The following is a summary of the proprietary funds furniture and equipment at June 30, 2003:

Furniture and Equipment	\$112,949
Less Accumulated Depreciation	<u>(86,331)</u>
Net Fixed Assets	<u><u>\$26,618</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 8. 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 2003, 8.17 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, 2003, 2002, and 2001 were \$88,872, \$88,800 and \$77,856, respectively; 46.34 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$51,462 representing the unpaid contribution for fiscal year 2003, 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 Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio 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 Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan member who becomes disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the members' account balance.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion 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 the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$305,592, \$308,736 and \$325,488, respectively; 83.33 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$50,932 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9. 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, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$21,828 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 9. POSTEMPLOYMENT BENEFITS (Continued)

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$61,237.

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, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 10. 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 53 days.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 11. 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 \$17,516,200. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

Health Care Benefits

The District provides health, drug, and dental insurance for all eligible employees through Medical Mutual of Ohio. The District pays medical and drug monthly premiums for staff for family and single coverage. The District pays the total monthly premium for dental insurance coverage for family and single employees. The District does not provide vision insurance to its employees. The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Mutual of Ohio. Premiums are paid from the same funds that pay employees' salaries.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 12. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2003, are as follows:

	Balance			Balance
	July 1, 2002	Additions	Deletions	June 30, 2003
Intergovernmental Payable	\$33,267	\$0	\$1,050	\$32,217
General Obligation Bonds Payable	3,750,000	0	210,000	3,540,000
Compensated Absences Payable	372,703	0	26,505	346,198
	<u>\$4,155,970</u>	<u>\$0</u>	<u>\$237,555</u>	<u>\$3,918,415</u>

The \$3,540,000 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 \$575,000 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, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,965,000 with an interest rate of 5.77%.

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

Fiscal Year	Principal	Interest	Payment
2004	\$215,000	\$224,948	\$439,948
2005	220,000	209,441	429,441
2006	225,000	193,589	418,589
2007	230,000	176,691	406,691
2008	240,000	158,614	398,614
2009-2013	725,000	639,685	1,364,685
2014-2018	960,000	380,680	1,340,680
2019-2021	725,000	68,975	793,975
Totals	<u>\$3,540,000</u>	<u>\$2,052,623</u>	<u>\$5,592,623</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 \$101,471. The voted debt limit at June 30, 2003 is \$9,132,370.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 13. 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.

NOTE 14. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2003, are as follows:

	Lunchroom Fund	Uniform Supplies Fund	Total
Operating Revenues	\$168,043	\$12,898	\$180,941
Operating Expenses:			
Depreciation	(1,673)	0	(1,673)
Other Expenses	(237,860)	(13,596)	(251,456)
Total Operating Expenses	<u>(239,533)</u>	<u>(13,596)</u>	<u>(253,129)</u>
Operating Income (Loss)	(71,490)	(698)	(72,188)
Non Operating Revenues Expenses:			
Operating Grants	72,458	0	72,458
Transfers-In/Out	0	645	645
Miscellaneous	520	0	520
Net Income (Loss)	<u>\$1,488</u>	<u>(\$53)</u>	<u>\$1,435</u>
Net Working Capital	\$27,044	\$10,101	\$37,145
Total Assets	75,028	10,101	85,129
Total Fund Equity	44,875	10,101	54,876
Total Contributed Capital	42,372	\$0	42,372

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 15. STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spend by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

In prior years, the District was also required to set-aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds. The District has chosen to maintain the budget stabilization.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2002	\$67,571	\$22,634	\$50,684	\$140,889
Current Year Set-Aside Requirement	99,193	99,193	0	198,386
Qualifying Disbursements	(159,737)	(126,044)	0	(285,781)
Total	<u>7,027</u>	<u>(4,217)</u>	<u>50,684</u>	<u>53,494</u>
Cash Balance Carried Forward to FY2004	<u>\$7,027</u>	<u>\$0</u>	<u>\$50,684</u>	
Amount Restricted for Budget Stabilization and Textbooks				<u>\$57,711</u>
Total Restricted Assets				<u>\$57,711</u>

NOTE 16. FUND DEFICITS

Fund balances at June 30, 2003, included the following individual deficits:

Fund	Amount
Ohio Reads	(\$37)
Title II-A	(3,735)

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 17. 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 are 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, 2003.

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, 2003.

NOTE 18. 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...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

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, 2003, and have issued our report thereon dated March 15, 2005. 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 financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated March 15, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the 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 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended solely for the information and use of management and the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 15, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
APRIL 14, 2005**