



**Auditor of State
Betty Montgomery**

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

The discussion and analysis of Walnut Township Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- For governmental activities, net assets increased \$284,206 to \$6,948,760 from 2003. Net assets of business-type related activities decreased \$9,318 or 19 percent from 2003.
- General revenues accounted for \$5.09 million in revenue or 84 percent of all governmental and business-type revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$.9 million or 16 percent of total governmental revenues of \$6.09 million.
- The District had \$5.5 million in expenses related to governmental activities; only \$736,109 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$5.09 million were adequate to provide for these programs.
- Among major funds, the General Fund had \$5.06 million in revenues and \$4.65 million in expenditures. The General Fund's balance increased \$171,135 to \$1,055,110. The Debt Service Fund had \$505,554 in revenues and \$447,576 in expenditures. The Debt Service Fund's balance increased \$57,978 to \$761,237.
- Net assets for enterprise funds decreased significantly due to continued operating expenses exceeding operating revenues. Total enterprise expenses were \$271,188, of which \$260,253 of these expenses were offset by program specific charges for services, grants or contributions.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service and uniform school supplies programs are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

Proprietary Funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2004 compared to 2003.

Table 1 - Net Assets

	<u>Fiscal Year 2004</u>			<u>Fiscal Year 2003</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:						
Current and other noncurrent assets	\$5,325,809	\$44,855	\$5,370,664	\$5,191,952	\$58,511	\$5,250,463
Capital Assets	<u>8,180,605</u>	<u>29,055</u>	<u>8,209,660</u>	<u>8,455,362</u>	<u>21,257</u>	<u>8,476,619</u>
Total assets	<u>13,506,414</u>	<u>73,910</u>	<u>13,580,324</u>	<u>13,647,314</u>	<u>79,768</u>	<u>13,727,082</u>
Liabilities:						
Current liabilities	2,911,880	24,132	2,936,012	3,096,562	21,362	3,117,924
Long-term liabilities	<u>3,645,774</u>	<u>9,583</u>	<u>3,655,357</u>	<u>3,886,198</u>	<u>8,887</u>	<u>3,895,085</u>
Total liabilities	<u>6,557,654</u>	<u>33,715</u>	<u>6,591,369</u>	<u>6,982,760</u>	<u>30,255</u>	<u>7,013,009</u>
Net Assets:						
Invested in capital assets, Net of related debt	4,855,605	29,055	4,884,660	4,915,362	21,257	4,936,619
Restricted	959,843	0	959,843	955,345	0	955,345
Unrestricted	<u>1,133,312</u>	<u>11,140</u>	<u>1,144,452</u>	<u>793,847</u>	<u>28,256</u>	<u>822,103</u>
Total net assets	<u>\$6,948,760</u>	<u>\$40,195</u>	<u>\$6,988,955</u>	<u>\$6,664,554</u>	<u>\$49,513</u>	<u>\$6,714,067</u>

Total assets decreased \$146,758. The decrease was due to an increase in cash and restricted cash of \$129,904 as a result of operations, a decrease in revenues of \$9,738, and a decrease in capital assets of \$266,959 due to depreciation exceeding capital asset additions.

Total liabilities decreased \$421,640. The decrease was a result of increases in accounts payable, accrued wages, intergovernmental payable, and compensated absences netted against significant decreases in deferred revenue as a result of the availability of tax advances and the pay off of \$215,000 in long-term liabilities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2 - Changes in Net Assets

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Revenues			
Program Revenues:			
Charges for Services	\$483,337	\$187,415	\$670,752
Operating Grants and Contributions	<u>252,772</u>	<u>72,838</u>	<u>325,620</u>
Total Program Revenues	<u>736,109</u>	<u>260,253</u>	<u>996,362</u>
General Revenues:			
Property Taxes	3,142,352	0	3,142,352
Grants and Entitlements	1,904,867	0	1,904,867
Investment Earnings	23,622	414	24,036
Sale of Fixed Assets	915	0	915
Miscellaneous	<u>27,633</u>	<u>0</u>	<u>27,633</u>
Total General Revenues	<u>5,099,389</u>	<u>414</u>	<u>5,099,803</u>
Total Revenues	<u>5,835,498</u>	<u>260,667</u>	<u>6,096,165</u>
Program Expenses:			
Instruction			
Regular	2,658,369	0	2,658,369
Special	515,217	0	515,217
Vocational	48,126	0	48,126
Support Services			
Pupils	320,076	0	320,076
Instructional Staff	66,673	0	66,673
Board of Education	119,152	0	119,152
Administration	365,508	0	365,508
Fiscal	225,765	0	225,765
Operation and Maintenance - Plant	529,603	0	529,603
Pupil Transportation	267,306	0	267,306
Central	13,862	0	13,862
Extracurricular Activities	196,833	0	196,833
Interest and Fiscal Charges	223,599	0	223,599
Lunchroom	0	258,564	258,564
Uniform Supplies	<u>0</u>	<u>12,624</u>	<u>12,624</u>
Total Expenses	<u>5,550,089</u>	<u>271,188</u>	<u>5,821,277</u>
Increase in Net Assets before transfers	285,409	(10,521)	274,888
Transfers	<u>(1,203)</u>	<u>1,203</u>	<u>0</u>
Increase in Net Assets	<u>\$284,206</u>	<u>(\$9,318)</u>	<u>\$274,888</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 53 percent of revenue for governmental activities for the District in fiscal year 2004.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3 – Net Cost of Services

	2004 Total Cost Of Service	2004 Net Cost of Service
Instruction	\$3,221,712	\$2,595,196
Support Services		
Pupil and Instruction Staff	384,749	380,514
Board of Education, Administration and Fiscal Operation and Maintenance of Plant	710,425	701,313
Pupil Transportation	529,603	528,856
Central	267,306	263,664
Extracurricular Activities	13,862	7,862
Interest and Fiscal Charges	196,833	112,976
	<u>223,599</u>	<u>223,599</u>
 Total Expenses	 <u>\$5,550,089</u>	 <u>\$4,813,980</u>

The dependence upon general tax revenues for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 86 percent as shown in the above table. The community, as a whole, is by far the primary support for the District's students.

Business-Type Activities

Business-type activities include lunchroom food service and uniform school supply.

Overall Net (Expense) Revenue for business-type activities ended on a \$9,318 negative balance. Table 4 provides a revenue and expense summary for the School District's business-type activities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

Table 4 - Revenue and Expense for Business Type Activities

	<u>2004</u>	<u>2003</u>
	Business-Type <u>Activities</u>	Business-Type <u>Activities</u>
Revenues	\$260,253	\$253,919
Expenditures	<u>271,188</u>	<u>253,129</u>
Net before Transfers	(10,521)	790
Transfers	<u>1,203</u>	<u>645</u>
Net	<u>(\$9,318)</u>	<u>\$1,435</u>

The District's Funds

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5.9 million and expenditures of \$5.48 million. The net change in fund balance for the year in the General Fund was an increase of \$171,135 for fiscal year 2004. The Debt Service Fund balance increased \$57,978.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004 the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$124,163 over the final budget estimate of \$4.61 million. Of the \$124,163 difference, tuition and fees was \$118,826 over final estimates due to open enrollment revenues.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$4.6 million, \$461,839 less than final appropriations. Expenditures on a budget basis were \$128,002 less than revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$8.20 million (net) invested in capital assets, \$8.18 million (net) in governmental activities. Additional capital asset information can be found in the notes to the basic financial statements.

Debt

At June 30, 2004, the District had \$3,325,000 in outstanding bonds. The District did not issue any additional debt during fiscal year 2004. Principal payments for the fiscal year 2004 totaled \$215,000.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
*Unaudited***

Economic Factors

The DeRolf IV decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected increases thus generating about the same revenue. Taxes made up approximately 54 percent of revenues for governmental activities for the District in fiscal year 2004. The State still has not fixed the funding system although there is hope for some changes as the result of any recommendations from the Governors Blue Ribbon Task Force created as a result of DeRolf IV.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tammy Haines, Treasurer at Walnut Township Local Schools, 11850 Lancaster Street, Millersport, Ohio 43046.

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,149,259	\$ 41,825	\$ 2,191,084
Restricted Assets:			
Cash and Cash Equivalents	72,342	-	72,342
Receivables:			
Taxes	3,060,634	-	3,060,634
Accounts	5,466	-	5,466
Intergovernmental	15,295	-	15,295
Prepaid Assets	22,813	-	22,813
Inventory held for Resale	-	2,825	2,825
Materials and Supplies Inventory	-	205	205
Capital Assets not being depreciated	47,950	-	47,950
Depreciable Capital Assets, Net	8,132,655	29,055	8,161,710
Total Assets	13,506,414	73,910	13,580,324
Liabilities			
Accounts Payable	39,227	-	39,227
Accrued Wages and Benefits	412,485	15,630	428,115
Compensated Absences Payable	62,932	-	62,932
Intergovernmental Payable	118,260	8,502	126,762
Deferred Revenue	2,261,881	-	2,261,881
Accrued Interest Payable	17,095	-	17,095
Long-Term Liabilities:			
Due Within One Year	323,482	-	323,482
Due in More Than One Year	3,322,292	9,583	3,331,875
Total Liabilities	6,557,654	33,715	6,591,369
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,855,605	29,055	4,884,660
Restricted for:			
Budget Stabilization	50,684	-	50,684
Textbooks	18,015	-	18,015
Bus Purchase	3,643	-	3,643
Debt Service	751,920	-	751,920
Capital Projects	85,687	-	85,687
Other Purposes	49,894	-	49,894
Unrestricted	1,133,312	11,140	1,144,452
Total Net Assets	\$ 6,948,760	\$ 40,195	\$ 6,988,955

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Activities
For the Year Ended June 30, 2004

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$ 2,658,369	\$ 399,237	\$ 53,885	(2,205,247)	-	(2,205,247)
Special	515,217	-	173,394	(341,823)	-	(341,823)
Vocational	48,126	-	-	(48,126)	-	(48,126)
Support Services:						
Pupils	320,076	-	5,251	(314,825)	-	(314,825)
Instructional Staff	66,673	-	984	(65,689)	-	(65,689)
Board of Education	119,152	-	1,100	(118,052)	-	(118,052)
Administration	365,508	243	1,968	(363,297)	-	(363,297)
Fiscal	225,765	-	5,801	(219,964)	-	(219,964)
Operation and Maintenance of Plant	529,603	-	747	(528,856)	-	(528,856)
Pupil Transportation	267,306	-	3,642	(263,664)	-	(263,664)
Central	13,862	-	6,000	(7,862)	-	(7,862)
Extracurricular Activities:						
Academic & Subject Oriented	38,101	1,573	-	(36,528)	-	(36,528)
Sports Oriented	154,742	79,662	-	(75,080)	-	(75,080)
Co-curricular	3,990	2,622	-	(1,368)	-	(1,368)
Interest and Fiscal Charges	223,599	-	-	(223,599)	-	(223,599)
Total Governmental Activities	<u>5,550,089</u>	<u>483,337</u>	<u>252,772</u>	<u>(4,813,980)</u>	<u>-</u>	<u>(4,813,980)</u>
Business-Type Activities						
Lunchroom	258,564	176,079	72,838	-	(9,647)	(9,647)
Uniform Supplies	12,624	11,336	-	-	(1,288)	(1,288)
Total Business Type-Activities	<u>271,188</u>	<u>187,415</u>	<u>72,838</u>	<u>-</u>	<u>(10,935)</u>	<u>(10,935)</u>
Totals	<u>\$ 5,821,277</u>	<u>\$ 670,752</u>	<u>\$ 325,610</u>	<u>(4,813,980)</u>	<u>(10,935)</u>	<u>(4,824,915)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				2,697,227	-	2,697,227
Debt Service				445,125	-	445,125
Grants and Entitlements not Restricted				1,904,867	-	1,904,867
Investment Earnings				23,622	414	24,036
Gain on sale of Capital Assets				915	-	915
Miscellaneous				27,633	-	27,633
Transfers				(1,203)	1,203	-
Total General Revenues and Transfers				<u>5,098,186</u>	<u>1,617</u>	<u>5,099,803</u>
Changes in Net Assets				284,206	(9,318)	274,888
Net Assets Beginning of Year (restated)				6,664,554	49,513	6,714,067
Net Assets End of Year				<u>\$ 6,948,760</u>	<u>\$ 40,195</u>	<u>\$ 6,988,955</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,090,101	\$ 706,362	\$ 352,796	\$ 2,149,259
Restricted Assets - Equity in Pooled Cash and Cash Equivalents	72,342	-	-	72,342
Taxes Receivable	2,711,138	349,496	-	3,060,634
Intergovernmental Receivables	-	-	15,295	15,295
Accounts Receivable	5,466	-	-	5,466
Prepaid Expenses	22,813	-	-	22,813
Total Assets	3,901,860	1,055,858	368,091	5,325,809
Liabilities				
Intergovernmental Payables	80,180	-	2,681	82,861
Accounts Payable	36,443	-	2,784	39,227
Accrued Wages and Benefits	396,842	-	15,643	412,485
Deferred Revenue	2,299,771	294,621	-	2,594,392
Compensated Absences Payable	33,514	-	-	33,514
Total Liabilities	2,846,750	294,621	21,108	3,162,479
Fund Balances				
Reserved for:				
Encumbrances	10,768	-	9,000	19,768
Budget Stabilization	50,684	-	-	50,684
Textbooks	18,015	-	-	18,015
Future Appropriation for Taxes	308,561	53,559	-	362,120
Prepays	22,813	-	-	22,813
Bus Purchase	3,643	-	-	3,643
Unreserved, designated for termination benefits, reported in:				
Special Revenue	-	-	202,402	202,402
Unreserved, undesignated, Reported in:				
General Fund	640,626	-	-	640,626
Debt Service	-	707,678	-	707,678
Special Revenue	-	-	49,894	49,894
Capital Projects	-	-	85,687	85,687
Total Fund Balance	1,055,110	761,237	346,983	2,163,330
Total Liabilities and Fund Balances	\$ 3,901,860	\$ 1,055,858	\$ 368,091	\$ 5,325,809

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Reconciliation of Total Governmental Fund Balances to the Statement
of Net Assets of Governmental Activities
June 30, 2004

Total Fund Balances-Governmental Funds	\$ 2,163,330
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$14,175,399 and the accumulated depreciation is \$5,994,794.	8,180,605
Property taxes are recognized in the year they were meant to fund and they are available. The funds statements defers taxes that are not available. This is the amount of taxes levied and meant to fund year 2004 and earlier fiscal years.	332,511
Compensated absences includes amounts not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(29,418)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds	(3,325,000)
Compensated absences (sick pay, severance, and vacation)	(320,774)
Pension payable	(35,399)
Accrued interest payable	(17,095)
Total Net Assets - Governmental Activities	<u>\$ 6,948,760</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$2,745,627	\$ 454,442	\$ -	\$ 3,200,069
Intergovernmental	1,857,397	51,112	249,130	2,157,639
Interest	23,622	-	-	23,622
Tuition and Fees	392,411	-	-	392,411
Extracurricular Activities	31,425	-	52,674	84,099
Classroom Materials and Fees	6,827	-	-	6,827
Miscellaneous	7,784	-	19,849	27,633
Total Revenues	<u>5,065,093</u>	<u>505,554</u>	<u>321,653</u>	<u>5,892,300</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,322,444	-	69,269	2,391,713
Special	373,901	-	161,387	535,288
Vocational	46,969	-	-	46,969
Support Services:				
Pupils	288,590	-	5,221	293,811
Instructional Staff	54,857	-	15,030	69,887
Board of Education	119,152	-	-	119,152
Administration	340,029	-	11,304	351,333
Fiscal	217,242	7,627	5,909	230,778
Operation & Maintenance-Plant	507,679	-	25,912	533,591
Pupil Transportation	243,544	-	-	243,544
Central	5,301	-	7,000	12,301
Extracurricular:				
Academic & Subject Oriented	35,837	-	2,561	38,398
Sports Oriented	98,767	-	75,035	173,802
Co-curricular Activities	-	-	3,990	3,990
Debt Service:				
Principal	-	215,000	-	215,000
Interest	-	224,949	-	224,949
Total Expenditures	<u>4,654,312</u>	<u>447,576</u>	<u>382,618</u>	<u>5,484,506</u>
Excess of Revenues Over (Under) Expenditures	<u>410,781</u>	<u>57,978</u>	<u>(60,965)</u>	<u>407,794</u>
Other Financing Sources (Uses):				
Sale of Assets	915	-	-	915
Transfers-In	-	-	239,358	239,358
Transfers-out	(240,561)	-	-	(240,561)
Total Other Financing Sources (Uses)	<u>(239,646)</u>	<u>-</u>	<u>239,358</u>	<u>(288)</u>
Net Change in Fund Balances	171,135	57,978	178,393	407,506
Fund Balances Beginning of Year	<u>883,975</u>	<u>703,259</u>	<u>168,590</u>	<u>1,755,824</u>
Fund Balances End of Year	<u>\$1,055,110</u>	<u>\$ 761,237</u>	<u>\$ 346,983</u>	<u>\$ 2,163,330</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ending June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	407,506
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditure. In the statement of activities, however, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions		65,480
Current Year Depreciation		(340,237)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		(57,717)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

215,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, and interest expenditure is reported when due.

1,350

Some expenses reported in the statement of activities, such as compensated absences and pension obligation payable which represents contractually required pension contributions, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension Obligation Payable		(3,182)
Compensated Absences Payable		(3,994)

Change in Net Assets - Governmental Activities	\$	284,206
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See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$2,447,026	\$2,447,026	\$2,418,954	(\$28,072)
Tuition and Fees	276,427	276,427	395,253	118,826
Interest	25,000	25,000	25,673	673
Extracurricular activities	30,000	30,000	31,425	1,425
Classroom materials and fees	5,000	5,000	6,914	1,914
Intergovernmental	1,772,421	1,827,681	1,857,397	29,716
Miscellaneous	1,700	1,700	1,381	(319)
Total Revenue	<u>4,557,574</u>	<u>4,612,834</u>	<u>4,736,997</u>	<u>124,163</u>
Expenditures:				
Instruction:				
Regular	2,430,152	2,430,152	2,253,297	176,855
Special	431,293	431,293	368,812	62,481
Vocational	47,741	47,741	46,333	1,408
Support Services:				
Pupils	294,351	294,351	266,302	28,049
Instructional Support	88,023	88,023	71,835	16,188
Board of Education	158,172	158,172	114,588	43,584
Administration	363,763	363,763	342,467	21,296
Fiscal	222,229	222,229	220,940	1,289
Operation and Maintenance of Plant	580,631	580,631	522,330	58,301
Pupil Transportation	281,069	281,069	259,554	21,515
Central	7,752	7,752	5,309	2,443
Academic & Subject Oriented	37,355	37,355	36,853	502
Sports Oriented	128,303	128,303	100,375	27,928
Total Expenditures	<u>5,070,834</u>	<u>5,070,834</u>	<u>4,608,995</u>	<u>461,839</u>
Excess of Revenues Over (Under) Expenditures	(513,260)	(458,000)	128,002	586,002
Other Financing Sources (Uses):				
Sale and loss of assets	500	500	1,159	659
Refund of prior year expenditures	45,000	45,000	41,381	(3,619)
Transfers Out	(78,546)	(233,806)	(240,561)	(6,755)
Total Other Sources (Uses)	<u>(33,046)</u>	<u>(188,306)</u>	<u>(198,021)</u>	<u>(9,715)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(546,306)	(646,306)	(70,019)	576,287
Fund Balance, July 1	1,209,324	1,209,324	1,209,324	-
Prior Year Carry Over Encumbrances	12,460	12,460	12,460	-
Fund Balance, June 30	<u>\$675,478</u>	<u>\$575,478</u>	<u>\$1,151,765</u>	<u>\$576,287</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Net Assets
Proprietary Funds
June 30, 2004

		<u>Aggregate Non-major Business Type Activities</u>
		<u>Enterprise Funds</u>
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	41,825
Inventory for Resale		2,825
Materials and Supplies Inventory		205
		<hr/>
Total Current Assets		44,855
Capital Assets, Net		29,055
		<hr/>
Total Assets		<u>73,910</u>
Liabilities		
Accrued Wages		15,630
Intergovernmental Payables		8,502
		<hr/>
Total Current Liabilities		24,132
Long term Liabilities:		
Compensated Absences		9,583
		<hr/>
Total Liabilities		<u>33,715</u>
Net Assets		
Invested in Capital Assets		29,055
Unrestricted		11,140
		<hr/>
Total Net Assets	\$	<u>40,195</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ending June 30, 2004

	Aggregate Non-major Business Type Activities
	Enterprise Funds
Operating Revenues	
Food Services	\$ 176,079
Classroom Materials and Fees	11,336
	187,415
Operating Expenses	
Salaries	104,140
Fringe Benefits	47,776
Purchased Services	1,968
Materials and Supplies	114,604
Depreciation	1,974
Other	726
	271,188
Operating Loss	(83,773)
Non-Operating Revenues	
Federal Donated Commodities	10,608
Intergovernmental	62,230
Interest	414
	73,252
Income (loss) before transfers	(10,521)
Transfer-In	1,203
Change in Net Assets	(9,318)
Net Assets Beginning of Year	49,513
Net Assets End of Year	\$ 40,195

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Cash Flows
Proprietary Funds
June 30, 2004

	Aggregate Non-major Business Type Activities
	Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 187,477
Cash Payments to Employees for Services	(97,780)
Cash Payments for Employees Benefit	(50,678)
Cash Payments for Goods and Services	(105,771)
Net Cash Used in Operating Activities	(66,752)
Cash Flows from Investing Activities	
Interest on Investment	414
Net Cash Provided by Investing Activities	414
Cash Flows from Noncapital Financing Activities	
Grants from State Sources	3,347
Grants from Federal Sources	58,883
Operating Transfer-In	1,203
Net Cash provided by Noncapital Financing Activities	63,433
Cash Flows from Capital Activities	
Acquisition of Capital Assets	(9,772)
Net Cash Used for Capital Activities	(9,772)
Net Decrease in Cash and Cash Equivalents	(12,677)
Cash and Cash Equivalents Beginning of Year	54,502
Cash and Cash Equivalents End of Year	\$ 41,825

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Cash Flows
Proprietary Funds
June 30, 2004

		<u>Aggregate Non-major Business Type Activities</u>
		<u>Enterprise Funds</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$	(83,773)
Adjustments:		
Depreciation		1,974
Donated commodities		10,608
(Increase) Decrease in Assets:		
Accounts Receivable		61
Inventory Held for Resale		718
Materials and Supplies Inventory		200
Increase (Decrease) in Liabilities:		
Accrued Wages		1,628
Compensated Absences		695
Intergovernmental Payable		1,137
Total Adjustments		<u>17,021</u>
Net Cash Used In Operating Activities	\$	<u>(66,752)</u>
Supplementation Information		
Noncash Activities - Donated Commodities		\$10,608

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

Statement of Net Assets
Fiduciary Funds
June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	\$ 15,718
Total Assets	<u>15,718</u>

Liabilities

Due to Others	15,718
Total Liabilities	<u>\$ 15,718</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Walnut Township Local School District (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 school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2003, was 747. The District employed 49 certified employees and 30 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 governmental activities, business type activities and 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 District's significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes the District's financial statements include all funds and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific burdens on the District; OR
2. The Organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

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 13 and 15 to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds 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 District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types. Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District major governmental funds:

General Fund. The general fund is the operating fund of the District and 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 general laws of Ohio.

Debt Service Fund. The debt service fund is used to account for the accumulation of resources and payment of general obligation bonds.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Types. Proprietary fund reporting focuses on the determination of the changes in the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The District has no internal service funds.

Enterprise Funds. Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. The District's nonmajor enterprise funds are:

Lunchroom Fund. This fund accounts for the financial transactions related to the food service operations of the District.

Uniform Supplies Fund. This fund accounts for the purchase and sale of school supplies for use in District. Profits derived from such sales are used for school purposes or activities connected with the school.

Fiduciary Fund Type. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The District does not have trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements. The statement of net assets and statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are considered governmental activities and those that are considered business type activities.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary fund types 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 statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 District, available means expected to be received within sixty days of 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 (See Note 5). 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 District must provide local resources to be used for a specified 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.

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, tuition, grants, and fees.

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The purpose of 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.

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

Tax Budget. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Greene County Budget Commission for tax rate determination.

Estimated Resources. Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuring year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The amounts reported as the "original" budgeted amounts on the budgetary statement reflect the amounts on the original certificate. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement as "final" reflect the amount set forth in the final Amended Certificate.

Appropriations. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the county Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. The amounts reported as "original" budgeted amounts reflect the first appropriation for that fund that covered the entire year.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

"Final" appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board during fiscal 2003-04.

Lapsing of Appropriations. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrances. Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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 \$24,036.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the creation of a reserve for budget stabilization, bus purchase, and for textbooks. See Note 14 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building and Improvements	50 Years	N/A
Other Improvements	20 Years	N/A
Furniture	10 Years	10 Years
Equipment	5 Years	5 Years
Fixtures	10 Years	N/A
Vehicles	10 Years	N/A
Textbooks	10 Years	N/A

K. Interfund Balances

On fund financial statements, receivables and payables resulting short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the governmental and business-type activities columns of the statement of net assets. There were no interfund receivables/payables at June 30, 2004.

L. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

The District's policies regarding compensated absences are determined by state laws, board policy, and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Superintendent and Treasurer</u>	<u>Non-Certificated and Exempt</u>
How earned	Not Eligible	20 days	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	27 days	20 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Superintendent and Treasurer</u>	<u>Non-Certificated and Exempt</u>
How earned	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)
Maximum Accumulation	220 Days	260 days for Superintendent & 220 days for Treasurer	20 days
Vested	Per contract	Per Contract	Per Contract
Termination Entitlement	Per Contract	Per Contract	Per Contract

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term obligations are recognized as a liability on the governmental fund financial statements when due.

N. Interfund Activities

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenue.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

O. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaids, property taxes, bus purchases, textbooks, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for state and federal grants restricted to expenditures for specified purposes.

The District applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

R. Estimates

The preparation of the 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 3 - 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 (Budget Basis) for the general 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 and GAAP (modified accrual) basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance/Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses

Budget Basis	(\$70,019)
Net Adjustment for Revenue Accruals	286,471
Net Adjustment for Expenditure Accruals	<u>(45,317)</u>
GAAP Basis	<u>\$171,135</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 4 - DEPOSITS 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 that the Board of Education has identified as not required for use within the current five year 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.

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 monies deposited with the institution.

Interim monies are permitted to 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 or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and
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 obligation, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the District had \$50 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 \$2,172,404 and the bank balance was \$2,206,087. Of the bank balance,

1. \$113,743 was covered by federal depository insurance; and
2. \$2,092,344 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by 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 fiscal 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 <u>Fair Value</u>
STAR Ohio	<u>\$106,690</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,279,144	\$0
Cash on Hand	(50)	\$0
Investments:		
Star Ohio	(106,690)	106,690
GASB Statement 3	<u>\$2,172,404</u>	<u>106,690</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year.

Property taxes include amounts levied against all real property and tangible personal property located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due by December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property tax revenue received during calendar 2004 represents the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the values as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year, however, this settlement was not made until July.

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property taxes and the late June personal property settlement which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The June 30 personal property tax settlement that was not received until July, 2004, was in the amount of \$9,712 in the General Fund and \$1,317 in the Debt Service Fund. The amount available as an advance at June 30, 2004, was \$308,561 in the General Fund and \$53,559 in the Debt Service Fund.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections	2004 First- Half Collections
Real Property -		
Residential/Agricultural	\$88,333,770	\$89,540,280
Minerals	46,520	36,640
Commercial/Industrial	6,057,660	6,184,420
Tangible Property -		
Personal	7,032,828	8,442,352
Total Valuation	\$101,470,778	\$104,203,692

NOTE 6 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents. The tax became 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 credited to the general fund.

NOTE 7 – INTERFUND TRANSFERS

The District made the following transfers during fiscal year 2004:

Transfer From Fund	To Fund	Amount	Purpose
General Fund	Permanent Improvement	\$100,000	Reserve for future projects
General Fund	Uniform School Supplies	1,203	
General Fund	Summer Intervention	2,942	
General Fund	Termination Benefits	136,416	Reserve for future payment of termination benefits

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 8 - CAPITAL ASSETS

Governmental activities capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 7/1/03	Additions	Deletions	Balance 6/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	<u>\$47,950</u>	<u>\$0</u>	<u>\$0</u>	<u>\$47,950</u>
Total Capital Assets, not being depreciated:	<u>47,950</u>	<u>0</u>	<u>0</u>	<u>47,950</u>
Depreciable Capital Assets				
Buildings and Improvements	11,433,775	0	0	11,433,775
Other Improvements	132,363	17,642	0	150,005
Furniture/Equipment/Fixtures	1,745,323	21,615	0	1,766,938
Vehicles	594,907	2,500	0	597,407
Textbooks	<u>155,601</u>	<u>23,723</u>	<u>0</u>	<u>179,324</u>
Total Capital Assets, being depreciated	<u>14,061,969</u>	<u>65,480</u>	<u>0</u>	<u>14,127,449</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,066,391)	(193,543)	0	(4,259,934)
Other Improvements	(20,380)	(5,784)	0	(26,164)
Furniture/Equipment/Fixtures	(1,158,886)	(95,647)	0	(1,254,533)
Vehicles	(382,494)	(34,949)	0	(417,443)
Textbooks	<u>(26,406)</u>	<u>(10,314)</u>	<u>0</u>	<u>(36,720)</u>
Total Accumulated Depreciation	<u>(5,654,557)</u>	<u>(340,237)</u>	<u>0</u>	<u>(5,994,794)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>8,407,412</u>	<u>(274,757)</u>	<u>0</u>	<u>8,132,655</u>
Governmental Activities Capital Assets, Net	<u>\$8,455,362</u>	<u>(\$274,757)</u>	<u>\$0</u>	<u>\$8,180,605</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$267,768
Vocational	1,157
Support Services:	
Pupil	2,110
Instructional Staff	13,241
Administration	3,897
Fiscal	2,120
Operation and Maintenance - Plant	8,839
Pupil Transportation	35,843
Central	1,579
Extracurricular Activities:	
Sports Oriented	<u>3,683</u>
Total Depreciation Expense	<u>\$340,237</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 8 - CAPITAL ASSETS (Continued)

Business-type activities capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Balance <u>7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/04</u>
Business-type Activities				
Furniture and Equipment	\$92,769	\$9,772	\$0	\$102,541
Less Accumulated Depreciation	<u>(71,512)</u>	<u>(1,974)</u>	<u>0</u>	<u>(73,486)</u>
Business-type Activities Capital Assets, Net	<u>\$21,257</u>	<u>\$7,798</u>	<u>\$0</u>	<u>\$29,055</u>

NOTE 9 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, income taxes, intergovernmental grants, and accounts receivable. 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding <u>7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/04</u>	Due in <u>One Year</u>
Governmental Activities					
General Obligation Bonds, 9.25%	\$575,000	\$0	(\$115,000)	\$460,000	\$120,000
General Obligation Bonds, 5.77%	<u>2,965,000</u>	<u>0</u>	<u>(100,000)</u>	<u>2,865,000</u>	<u>100,000</u>
Total Long-Term Bonds	3,540,000	0	(215,000)	3,325,000	220,000
Compensated Absences	346,198	0	(25,424)	320,774	103,482
Total Governmental Activities	<u>\$3,886,198</u>	<u>\$0</u>	<u>(\$240,424)</u>	<u>\$3,645,774</u>	<u>\$323,482</u>
Business-type Activities					
Compensated Absences	\$8,887	\$696	\$0	\$9,583	\$0

The \$3,325,000 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 \$460,000 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 \$2,865,000 with an interest rate of 5.77%.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements, which are paid out of the Debt Service Fund, to retire general obligation debt outstanding at June 30, 2002 are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
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	130,000	145,390	275,390
2010-2013	765,000	593,495	1,358,495
2014-2018	1,020,000	319,300	1,339,300
2019-2021	495,000	31,155	526,155
Total	<u>\$3,325,000</u>	<u>\$1,827,675</u>	<u>\$5,152,675</u>

The District's overall legal debt margin was \$9,378,332 with an unvoted debt margin of \$104,204 at June 30, 2004.

NOTE 11 - 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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, 2004, 2003, and 2002 were \$94,656, \$88,872, and \$88,800, respectively; 50 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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 provides basic retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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.

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, 2004, 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. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$318,920, \$305,592, and \$308,736, respectively; 83 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002.

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, 2004, five members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFIT

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 obligation 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 Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$22,780 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003 (the latest information available), the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$33,197.

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 (the latest information available), 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 currently receiving health care benefits.

NOTE 13 - RISK MANAGEMENT

A. 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 aggregate. In addition, the District maintains a \$5,000 employee dishonesty bond policy, and a \$100,000 employee liability policy.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 13 - RISK MANAGEMENT (Continued)

A. General Risk (Continued)

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 has been no significant reduction in coverage from the prior year.

B. 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.

C. Worker's Compensation Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating (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/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to GRP to cover the costs of administering the program.

NOTE 14 - SET-ASIDE REQUIREMENTS

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, in various reserves. The following information describe the changes in the amount set aside for textbook and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbook Acquisition</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set aside Cash Balance as of June 30, 2003	\$7,027	\$0	\$50,684	\$57,711
Current Year Set-Aside Requirement	101,013	101,013	0	202,026
Qualifying Disbursements	<u>(90,025)</u>	<u>(120,603)</u>	<u>0</u>	<u>(210,628)</u>
Total	<u>18,015</u>	<u>(19,590)</u>	<u>50,684</u>	<u>53,494</u>
Cash Balance Carried Forward to FY2005	<u>\$18,015</u>	<u>\$0</u>	<u>\$50,684</u>	
Amount Restricted for Budget Stabilization and Textbooks				<u>\$68,699</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council. 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. 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 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 16 - CHANGES IN ACCOUNTING POLICY AND PRINCIPLES

Change in Accounting Policy – For fiscal year 2004, the District changed the threshold for capitalizing capital assets from \$250 to \$1,000. This change resulted in a \$494,016 decrease in the cost of capital assets from \$14,603,935 to \$14,109,919.

Change in Accounting Principles - For fiscal year 2004, the District has implemented GASB No. 34, "Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB NO. 38, "Certain Financial Statement Note Disclosures", GASB No. 41, "Budgetary Comparison Schedules - Perspective Differences - an amendment of GASB Statement No. 34", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements No. 37, 38, and 41, and Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the changes in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 16 - CHANGES IN ACCOUNTING POLICY AND PRINCIPLES (Continued)

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	General Fund	Debt Service Fund	Non-major Funds	Total
Fund Balance June 30, 2003	\$883,975	\$703,259	\$168,590	\$1,755,824
GASB 34 Adjustments:				
Capital Assets, net of accum. deprec.				8,455,362
Deferred Revenue				390,228
Pension Obligation				(32,217)
Compensated Absences				(346,198)
Accrued Interest Payable				(18,445)
General Obligation Bonds				(3,540,000)
Governmental Activities Net Assets, July 1, 2003				\$6,664,554

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant 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, 2004.

B. State 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 plan 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 its financial operations.



**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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2005, wherein we noted the District adopted *Governmental Accounting Standards Board Statement No. 34*. 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.

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www.auditor.state.oh.us

Walnut Township Local School District
Fairfield County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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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**