



**Mary Taylor, CPA**  
Auditor of State





# Dave Yost • Auditor of State

January 27, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST  
Auditor of State

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2010, and the respective changes in cash financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis as listed in the table of contents, to supplement the basic financial statements. Although this information not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 15, 2010



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

Total net assets of the District at June 30, 2010 is \$3,380,413. This balance was comprised of a \$722,995 balance in net asset amounts restricted for specific purposes, and \$2,657,418 in unrestricted net assets.

In total, net assets of governmental activities decreased by \$1,261,942, which represents a 27.83 percent decrease from 2009. Net assets of the business-type activities increased \$13,219 which represents a 13.94 percent increase from 2009.

General receipts accounted for \$5,751,344 or 82.80 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$1,194,639 or 17.20 percent of total receipts of \$6,945,983 for the governmental activities.

The District had \$8,207,925 in disbursements related to governmental activities; only \$1,194,639 of these disbursements were offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes and grants and entitlements) of \$5,751,344 were used to provide for the remainder of these programs.

The District had \$295,828 in disbursements related to business-type activities; \$305,642 of these disbursements were offset by program specific charges for services and sales, operating grants and contributions.

The District recognizes three major governmental funds: the General, Bond Retirement and Permanent Improvement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the District combined. The General Fund had \$6,042,154 in receipts and \$6,279,156 in disbursements in fiscal year 2010.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and 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.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

*(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. 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. These statements include assets using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's receipts and disbursements based on when cash is received or paid.

The statement of net assets presents information on the District's cash and net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net assets changed during the recent fiscal year. All changes in net assets are reported as cash is received or paid. Thus, receipts and disbursements are reported in this statement for some items that will only result in cash flows in the current fiscal period.

In both of the government-wide financial statements, the District's activities are divided into two distinct kinds of activities: governmental activities and business-type activities.

**Governmental Activities**

Most of the District's programs and services are reported here including instructional services, support services, extracurricular activities, and debt service. These services are funded primarily by taxes, tuition and fees, and intergovernmental receipts including federal and state grants and other shared receipts.

**Business-Type Activities**

These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses for the goods or services provided. The District food service operations and the sale of school supplies are reported as business activities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the District's major funds begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on current inflows and outflows of spendable cash, as well as on balances of spendable cash available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using the cash basis of accounting.

**Proprietary Funds**

Proprietary funds have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole. These funds are reported using the cash basis of accounting.

**Fiduciary Funds**

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing cash and net assets. Table 1 provides a summary of the District's net assets for 2010 compared to fiscal year 2009:

**Table 1  
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b><u>Assets:</u></b>						
Cash and Cash Equivalents	\$3,272,400	\$4,534,342	\$108,013	\$94,794	\$3,380,413	\$4,629,136
<i>Total Assets</i>	3,272,400	4,534,342	108,013	94,794	3,380,413	4,629,136
<b><u>Net Assets:</u></b>						
Restricted	722,995	1,792,182	0	0	722,995	1,792,182
Unrestricted	2,549,405	2,742,160	108,013	94,794	2,657,418	2,836,954
<i>Total Net Assets</i>	<u>\$3,272,400</u>	<u>\$4,534,342</u>	<u>\$108,013</u>	<u>\$94,794</u>	<u>\$3,380,413</u>	<u>\$4,629,136</u>

Total Cash and Cash Equivalents decreased \$1,248,723 from fiscal year 2009 due primarily to the increase in disbursements for operation and maintenance of plant which resulted in the total disbursements exceeding receipts.

The District's largest portion of net assets is unrestricted net assets. Those net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$722,995 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2010 and provides a comparison to fiscal year 2009.

**Table 2  
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b><u>Receipts:</u></b>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$334,959	\$438,522	\$141,190	\$155,697	\$476,149	\$594,219
Operating Grants and Contributions	859,680	597,956	164,452	150,146	1,024,132	748,102
<i>General Receipts:</i>						
Property Taxes	3,061,403	3,099,437	0	0	3,061,403	3,099,437
Income Taxes	1,091,671	1,122,860	0	0	1,091,671	1,122,860
Unrestricted Grants and Entitlements	1,536,822	1,687,668	0	0	1,536,822	1,687,668
Investments Earnings	14,915	101,243	0	0	14,915	101,243
Miscellaneous	46,533	46,982	3,405	3,635	49,938	50,617
<i>Total Receipts</i>	6,945,983	7,094,668	309,047	309,478	7,255,030	7,404,146
<b><u>Disbursements:</u></b>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,109,577	2,892,701	0	0	3,109,577	2,892,701
Special	836,395	895,651	0	0	836,395	895,651
Vocational	70,243	63,565	0	0	70,243	63,565

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

*(Unaudited)*

Table 2  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<i>Support Services:</i>						
Pupils	255,924	235,622	0	0	255,924	235,622
Instructional Staff	139,436	138,523	0	0	139,436	138,523
Board of Education	149,012	148,537	0	0	149,012	148,537
Administration	459,619	451,604	0	0	459,619	451,604
Fiscal	424,648	428,188	0	0	424,648	428,188
Business	1,193	1,716	0	0	1,193	1,716
Operation and Maintenance of Plant	1,609,819	2,429,131	0	0	1,609,819	2,429,131
Pupil Transportation	448,173	319,200	0	0	448,173	319,200
Central	12,094	17,471	0	0	12,094	17,471
Non-Instructional	4,202	0	0	0	4,202	0
Extracurricular Activities	204,886	216,261	0	0	204,886	216,261
Capital Outlay	0	23,958	0	0	0	23,958
Principal Retirement	215,000	215,000	0	0	215,000	215,000
Interest and Fiscal Charges	267,704	278,710	0	0	267,704	278,710
Food Service	0	0	281,791	277,731	281,791	277,731
Uniform School Supplies	0	0	14,037	9,735	14,037	9,735
<i>Total Disbursements</i>	<u>8,207,925</u>	<u>8,755,838</u>	<u>295,828</u>	<u>287,466</u>	<u>8,503,753</u>	<u>9,043,304</u>
<i>Changes in Net Assets</i>	(1,261,942)	(1,661,170)	13,219	22,012	(1,248,723)	(1,639,158)
<i>Net Assets at Beginning of Year</i>	<u>4,534,342</u>	<u>6,195,512</u>	<u>94,794</u>	<u>72,782</u>	<u>4,629,136</u>	<u>6,268,294</u>
<i>Net Assets at End of Year</i>	<u>\$3,272,400</u>	<u>\$4,534,342</u>	<u>\$108,013</u>	<u>\$94,794</u>	<u>\$3,380,413</u>	<u>\$4,629,136</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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The most significant program disbursements for the District are Regular Instruction, Operation and Maintenance of Plant, Special Instruction, Administration and Fiscal. These programs account for 78.46 percent of the total governmental activities. Regular Instruction, which accounts for 37.89 percent of the total, represents costs associated with providing general educational services. Operation and Maintenance of Plant, which represents 19.61 percent of the total, represents costs associated with operating and maintaining the District's facilities. Special Instruction, which accounts for 10.19 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represent 5.60 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 5.17 percent of the total, represents costs associated with providing fiscal services rendered by persons in the Treasurer's office.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 81.92 percent of total receipts for governmental activities.

As noted previously, the net assets for the governmental activities decreased \$1,261,942 or 27.83 percent. This is a decrease from last year when net assets decreased \$1,661,170 or 26.81 percent. Governmental activities receipts decreased \$148,685 or 2.10 percent over last year and disbursements decreased \$547,913 or 6.26 percent over last year.

The District had program receipt increases of \$157,960, as well as a decrease in general receipts of \$307,076. The decrease in general receipts is mostly due to the reclassification of unrestricted grants to operating grants and the decrease in investment earnings.

The total disbursements for governmental activities decreased \$539,551 due to an decrease in regular instruction and operation and maintenance of plant. The majority of the decrease is the result of operation and maintenance of plant increases for improvements to facilities.

The most significant program disbursements for the District's business-type activities is the Food Service. This program, which accounts for 95.26 percent of the total business-type activities, represents costs associated with food service operations.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes and intergovernmental receipts and, like most Ohio schools, is hampered by a lack of revenue growth. However, property taxes made up 44.07 percent, income taxes made up 15.72 percent and unrestricted intergovernmental receipts made up 22.13 percent of the total receipts for the governmental activities in fiscal year 2010.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall receipts generated by a levy will not increase solely as a result of inflation until the millage rate has been reduced to 2 mills. The District's operating millage rate is currently at 2 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

The District's income tax receipts consist of a 1.25 percent voted income tax levy. During fiscal year 2010, the District received \$1,091,671, which represents 15.72 percent of the total receipts for the governmental activities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

The District's intergovernmental receipts consist of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2010, the District received \$1,395,810 through the State's foundation program, which represents 20.10 percent of the total receipts for the governmental activities. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 48.93 percent of governmental activities program disbursements. Support services expenses make up 42.64 percent of governmental activities program disbursements. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

**Business-Type Activities**

Business-type activities include the food service and uniform school supplies. These programs had program receipts of \$305,642 and disbursements of \$295,828 for fiscal year 2010. Almost 46 percent of those program receipts were from fees for the food service program.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2010 and comparison to fiscal year 2009. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

Table 3  
**Net Cost of Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
<b><u>Program Disbursements:</u></b>				
<i>Governmental Activities:</i>				
Instruction	\$4,016,215	\$3,084,858	\$3,851,917	\$3,061,532
Support Services	3,499,918	3,268,388	4,169,992	3,959,915
Non-Instructional Services	4,202	4,202	0	0
Extracurricular Activities	204,886	173,134	216,261	180,245
Capital Outlay	0	0	23,958	23,958
Principal Retirement	215,000	215,000	215,000	215,000
Interest and Fiscal Charges	267,704	267,704	278,710	278,710
<i>Business-Type Activities:</i>				
Food Service	281,791	(9,794)	277,731	(15,248)
Uniform School Supplies	14,037	(20)	9,735	(3,129)
<b>Total Disbursements</b>	<b>\$8,503,753</b>	<b>\$7,003,472</b>	<b>\$9,043,304</b>	<b>\$7,700,983</b>



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$6,945,983 and disbursements of \$8,207,925.

Total governmental funds fund balance decreased by \$1,261,942. The decrease in fund balance for the year was most significant in the Permanent Improvement Fund, a decrease of \$954,979 due to increased disbursements for improving facilities. The General Fund decreased in fund balance by \$237,002, which occurred as a result of the disbursements exceeding receipts during fiscal year 2010.

The District should remain stable through fiscal year 2011. However, projections beyond fiscal year 2011 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of the fiscal year, the District amended its General Fund budget several times. The District uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and supervisors flexibility for program management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis receipts were \$6,041,660 representing no increase from the original budget estimates. For the General Fund, the final budget basis disbursements were \$7,375,540 representing an increase of \$80,799 from the original budget estimates of \$7,294,741. The final budget reflected a 1.11 percent increase from the original budgeted amount. The difference is the result of low estimates in many of the disbursements on the original budget.

**Debt Administration**

At June 30, 2010, the District had \$5,175,000 in general obligation debt outstanding with \$225,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2010 compared to fiscal year 2009.

Table 4

**Outstanding Debt, Governmental Activities at Year End**

Purpose	2010	2009
1995 School Improvement Bonds	2,145,000	2,280,000
Certificates of Participation Project	3,030,000	3,110,000
Total	<u>\$5,175,000</u>	<u>\$5,390,000</u>

More detailed information pertaining to the District's long-term debt activity can be found in the Note 12 to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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**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 59.79 percent of revenues for governmental activities for the District in fiscal year 2010. Of this 59.79 percent, 15.72 percent was School District Income Tax. The District's income tax is a 10 year levy and runs from 2005 through calendar year 2014. The State still has not fixed the funding system although there is hope for some changes as the result of any recommendations from the Governor's 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 citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Kirk Grandy, Treasurer of Walnut Township Local School District, 11850 Lancaster Street, Millersport, Ohio 43046.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Net Assets - Cash Basis*

*June 30, 2010*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,272,400	\$108,013	3,380,413
<i>Total Assets</i>	<u>3,272,400</u>	<u>108,013</u>	<u>3,380,413</u>
<b><u>Net Assets:</u></b>			
<i>Restricted for:</i>			
Capital Outlay	70,242	0	70,242
Debt Service	359,815	0	359,815
Set Asides	162,115	0	162,115
Other Purposes	130,823	0	130,823
Unrestricted	<u>2,549,405</u>	<u>108,013</u>	<u>2,657,418</u>
<i>Total Net Assets</i>	<u><u>\$3,272,400</u></u>	<u><u>\$108,013</u></u>	<u><u>\$3,380,413</u></u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2010*

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Governmental Activities:</u></b>						
<i>Instruction:</i>						
Regular	\$3,109,577	\$302,174	\$126,719	(\$2,680,684)	\$0	(\$2,680,684)
Special	836,395	0	501,339	(335,056)	0	(335,056)
Vocational	70,243	0	1,125	(69,118)	0	(69,118)
<i>Support Services:</i>						
Pupils	255,924	0	2,341	(253,583)	0	(253,583)
Instructional Staff	139,436	0	20,048	(119,388)	0	(119,388)
Board of Education	149,012	0	0	(149,012)	0	(149,012)
Administration	459,619	1,033	3,924	(454,662)	0	(454,662)
Fiscal	424,648	0	6,861	(417,787)	0	(417,787)
Business	1,193	0	0	(1,193)	0	(1,193)
Operation and Maintenance of Plant	1,609,819	0	0	(1,609,819)	0	(1,609,819)
Pupil Transportation	448,173	0	192,750	(255,423)	0	(255,423)
Central	12,094	0	4,573	(7,521)	0	(7,521)
Operation of Non-Instructional Services	4,202	0	0	(4,202)	0	(4,202)
Extracurricular Activities	204,886	31,752	0	(173,134)	0	(173,134)
<i>Debt Service:</i>						
Principal Retirement	215,000	0	0	(215,000)	0	(215,000)
Interest and Fiscal Charges	267,704	0	0	(267,704)	0	(267,704)
<b>Total Governmental Activities</b>	<b>8,207,925</b>	<b>334,959</b>	<b>859,680</b>	<b>(7,013,286)</b>	<b>0</b>	<b>(7,013,286)</b>
<b><u>Business-Type Activities:</u></b>						
Food Service	281,791	127,133	164,452	0	9,794	9,794
Uniform School Supplies	14,037	14,057	0	0	20	20
<b>Total Business-Type Activities</b>	<b>295,828</b>	<b>141,190</b>	<b>164,452</b>	<b>0</b>	<b>9,814</b>	<b>9,814</b>
<b>Totals</b>	<b>\$8,503,753</b>	<b>\$476,149</b>	<b>\$1,024,132</b>	<b>(7,013,286)</b>	<b>9,814</b>	<b>(7,003,472)</b>
<b><u>General Receipts:</u></b>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,822,292	0	2,822,292
Debt Service				239,111	0	239,111
Income Taxes				1,091,671	0	1,091,671
Grants and Entitlements not Restricted to Specific Programs				1,536,822	0	1,536,822
Investment Earnings				14,915	0	14,915
Miscellaneous				46,533	3,405	49,938
<b>Total General Receipts</b>				<b>5,751,344</b>	<b>3,405</b>	<b>5,754,749</b>
Change in Net Assets				(1,261,942)	13,219	(1,248,723)
<i>Net Assets at Beginning of Year</i>				4,534,342	94,794	4,629,136
<i>Net Assets at End of Year</i>				<b>\$3,272,400</b>	<b>\$108,013</b>	<b>\$3,380,413</b>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2010*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$2,526,009	\$359,815	\$70,242	\$154,219	\$3,110,285
<i>Restricted Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	162,115	0	0	0	162,115
<i>Total Assets</i>	<u>\$2,688,124</u>	<u>\$359,815</u>	<u>\$70,242</u>	<u>\$154,219</u>	<u>\$3,272,400</u>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	\$77,989	\$0	\$35,165	\$5,024	\$118,178
Reserved for Textbooks and Instructional Material	127,483	0	0	0	127,483
Reserved for Capital Improvements	34,632	0	0	0	34,632
<i>Unreserved, Designated for Termination Benefits Reported in:</i>					
Special Revenue Funds	0	0	0	100,945	100,945
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	2,448,020	0	0	0	2,448,020
Special Revenue Funds	0	0	0	48,250	48,250
Debt Service Fund	0	359,815	0	0	359,815
Capital Projects Fund	0	0	35,077	0	35,077
<i>Total Fund Balances</i>	<u>\$2,688,124</u>	<u>\$359,815</u>	<u>\$70,242</u>	<u>\$154,219</u>	<u>\$3,272,400</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>					
Property Taxes	\$2,822,292	\$239,111	\$0	\$0	\$3,061,403
Income Taxes	1,091,671	0	0	0	1,091,671
Intergovernmental	1,796,316	34,834	0	565,352	2,396,502
Interest	9,474	0	5,441	0	14,915
Tuition and Fees	302,174	0	0	0	302,174
Extracurricular Activities	0	0	0	32,785	32,785
Miscellaneous	20,227	0	0	26,306	46,533
<i>Total Receipts</i>	<u>6,042,154</u>	<u>273,945</u>	<u>5,441</u>	<u>624,443</u>	<u>6,945,983</u>
<b><u>Disbursements:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	2,912,775	0	0	196,802	3,109,577
Special	438,988	0	0	397,407	836,395
Vocational	70,243	0	0	0	70,243
<i>Support Services:</i>					
Pupils	253,351	0	0	2,573	255,924
Instructional Staff	120,088	0	0	19,348	139,436
Board of Education	149,012	0	0	0	149,012
Administration	447,462	0	0	12,157	459,619
Fiscal	409,633	4,053	0	10,962	424,648
Business	1,193	0	0	0	1,193
Operation and Maintenance of Plant	647,331	0	960,420	2,068	1,609,819
Pupil Transportation	448,173	0	0	0	448,173
Central	7,521	0	0	4,573	12,094
Operation of Non-Instructional Services	0	0	0	4,202	4,202
Extracurricular Activities	162,857	0	0	42,029	204,886
<i>Debt Service:</i>					
Principal Retirement	80,000	135,000	0	0	215,000
Interest and Other Fiscal Charges	130,529	137,175	0	0	267,704
<i>Total Disbursements</i>	<u>6,279,156</u>	<u>276,228</u>	<u>960,420</u>	<u>692,121</u>	<u>8,207,925</u>
<i>Net Change in Fund Balances</i>	(237,002)	(2,283)	(954,979)	(67,678)	(1,261,942)
<i>Fund Balances at Beginning of Year</i>	<u>2,925,126</u>	<u>362,098</u>	<u>1,025,221</u>	<u>221,897</u>	<u>4,534,342</u>
<i>Fund Balances at End of Year</i>	<u>\$2,688,124</u>	<u>\$359,815</u>	<u>\$70,242</u>	<u>\$154,219</u>	<u>\$3,272,400</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$2,822,292	\$2,822,292	\$2,822,292	\$0
Income Taxes	1,091,671	1,091,671	1,091,671	0
Intergovernmental	1,796,316	1,796,316	1,796,316	0
Interest	9,000	9,000	9,474	474
Tuition and Fees	302,174	302,174	302,174	0
Miscellaneous	20,207	20,207	20,227	20
<i>Total Receipts</i>	6,041,660	6,041,660	6,042,154	494
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,194,542	3,236,612	2,919,173	317,439
Special	860,120	870,620	453,274	417,346
Vocational	72,694	72,694	70,243	2,451
<i>Support Services:</i>				
Pupils	267,417	267,417	254,399	13,018
Instructional Staff	146,757	146,757	125,483	21,274
Board of Education	181,116	181,116	164,094	17,022
Administration	478,895	480,195	449,381	30,814
Fiscal	456,626	456,223	414,189	42,034
Business	2,000	2,000	1,193	807
Operation and Maintenance of Plant	702,283	732,395	663,827	68,568
Pupil Transportation	507,430	489,650	452,782	36,868
Central	20,832	20,832	13,391	7,441
Extracurricular Activities	193,500	208,500	165,187	43,313
<i>Debt Service:</i>				
Principal	80,000	80,000	80,000	0
Interest	130,529	130,529	130,529	0
<i>Total Disbursements</i>	7,294,741	7,375,540	6,357,145	1,018,395
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,253,081)	(1,333,880)	(314,991)	1,018,889
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers Out	(1,645,044)	(1,591,244)	0	1,591,244
<i>Total Other Financing Sources (Uses)</i>	(1,645,044)	(1,591,244)	0	1,591,244
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(2,898,125)	(2,925,124)	(314,991)	2,610,133
<i>Fund Balance at Beginning of Year</i>	2,819,076	2,819,076	2,819,076	0
Prior Year Encumbrances Appropriated	106,050	106,050	106,050	0
<i>Fund Balance at End of Year</i>	\$27,001	\$2	\$2,610,135	\$2,610,133

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Assets - Cash Basis*

*Proprietary Funds*

*June 30, 2010*

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	<u>Enterprise Funds</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$108,013</u>
<i>Total Assets</i>	<u>108,013</u>
<b><u>Net Assets:</u></b>	
Unrestricted	<u>108,013</u>
<i>Total Net Assets</i>	<u><u>\$108,013</u></u>

See accompanying notes to the basic financial statements.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts,  
Cash Disbursements and Changes in Cash Basis Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2010*

	Enterprise Funds
<b><u>Operating Receipts:</u></b>	
Charges for Services	\$141,190
Other Revenues	3,405
	144,595
<b><u>Operating Disbursements:</u></b>	
Salaries	105,293
Fringe Benefits	52,240
Purchased Services	1,641
Materials and Supplies	136,654
	295,828
<i>Operating Loss</i>	(151,233)
<b><u>Nonoperating Receipts:</u></b>	
Federal and State Subsidies	164,452
	164,452
<i>Change in Net Assets</i>	13,219
<i>Net Assets at Beginning of Year</i>	94,794
<i>Net Assets at End of Year</i>	\$108,013

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Fund*  
*June 30, 2010*

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	<u>Agency Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,922</u>
<b><u>Liabilities:</u></b>	
Due to Students	<u>10,922</u>
<i>Total Liabilities</i>	<u><u>\$10,922</u></u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Walnut Township Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's facilities staffed by 29 classified and 50 teaching personnel and 4 administrative employees providing education to approximately 667 students.

**Reporting Entity**

The financial reporting entity consists of the stand-alone government, component units, and other governmental organizations that are included to ensure the financial statements of the District are not misleading or incomplete. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, student guidance, extra-curricular activities, educational media, care and upkeep of grounds and buildings, student transportation and food service.

Component units are legally separate organizations for which the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approved the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Education 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 14 and 15 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. Although Ohio Administrative Code Section 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**A. Basis of Presentation**

The District's basic financial statement consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the 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 governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major governmental funds:

**General Fund**- This 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bond Retirement Fund**- This debt service fund is used to account for the accumulation of resources and payment of general obligation bonds.

**Permanent Improvement Fund** - This fund is used to account for financial resources to be used for the acquisition, construction or improvement of capital facilities.

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

**Proprietary Funds**

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows. The District's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The proprietary funds of the District account for transactions related to the food service operations and the sale of school supplies.

**Fiduciary Fund**

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 only fiduciary fund is an agency fund which is used to account for student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared measuring receipts and disbursements when cash is received or paid.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Fund Financial Statements**

Only cash is included on the balance sheet. The statement of receipts, disbursements and changes in fund balance reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of cash.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, governmental funds, proprietary and fiduciary fund financial statements are prepared using the cash basis of accounting.

**E. Budgetary Process**

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The District Treasurer has been authorized by the Board to allocate appropriations to the function and object level within the fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2010 (See Note 4).

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2010.

**F. Inventory**

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**G. 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 through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The District credits interest to the General and Permanent Improvement Funds. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$9,474, which includes \$2,390 assigned from other District funds.

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 presented on the financial statements as cash equivalents.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2010, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for textbooks and instructional materials and capital improvements.

**I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**J. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash from one to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**K. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**L. Long-Term Obligations**

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**M. Net Assets**

Net assets represent the difference between assets and liabilities. 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.

The District first applies restricted resources when a disbursement is paid for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future 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 balance reserves have been established for encumbrances and textbooks and instructional materials and capital improvements.

**O. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the District, these receipts are charges for services for the food service operations and sale of school supplies. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of that fund. Receipts and disbursements not meeting these definitions are reported as nonoperating.

**NOTE 3 - NEW GASB PRONOUNCEMENT**

For fiscal year 2010, the District implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". The implementation of GASB Statement No. 53 and 58 had no effect on the prior period fund balances of the District.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance - Budget and Actual - Budget Basis presented for the General Fund, is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The only difference between the budgetary basis and the cash basis is that encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance.

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2010:

**Net Change in Fund Balances (Deficits)/Excess of Revenues and Other Sources  
Over (Under) Expenditures and Other Uses**

	General
Cash Basis	(\$237,002)
Adjustments:	
Encumbrances	(77,989)
<b>Budgetary Basis</b>	<b>(\$314,991)</b>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State law requires the classification of 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 two 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 5 -DEPOSITS AND INVESTMENTS** - (Continued)

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

State Statute permits interim monies 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 and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of 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;
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 and eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim moneys 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 obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**NOTE 5 - DEPOSITS AND INVESTMENTS** - (Continued)

The following information classifies depository categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

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

**Deposits:** At June 30, 2010, the carrying amount of all the District deposits were \$3,391,310. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2010, \$2,742,081 of the District's bank balance of \$3,492,081 was exposed to custodial risk as discussed below, while \$750,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District's investment policy does not address custodial credit risk for deposits.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twelve and one half percent of true value. The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$122,463,540	93.3%	\$123,195,690	92.1%
Public Utility Personal	8,545,060	6.5%	10,440,350	7.8%
Tangible Personal Property	229,860	0.2%	82,170	0.1%
Total Assessed Value	<u>\$131,238,460</u>	<u>100.0%</u>	<u>\$133,718,210</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation		\$37.70		\$37.70

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 6 - PROPERTY TAXES** – (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTE 7 - 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, 2005, 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 receipts of \$1,091,671 are credited to the General Fund for fiscal year 2010.

**NOTE 8 - RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District contracted with Tom Jones Insurance Agency, Inc. for property and fleet insurance and Ohio School Plan for liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$18,699,364
Inland Marine Coverage (\$250 deductible)	78,855
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
<i>General Liability:</i>	
Per Occurrence	1,000,000
Total Per Year	3,000,000
<i>Public Official Bonds:</i>	
Treasurer	50,000
Superintendent	25,000
Board President	25,000
Public Employee Dishonesty	5,000

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 8 - RISK MANAGEMENT-** (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

**Workers' Compensation**

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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 or by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate for the District 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 2010, 12.78 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$115,420, \$104,648, and \$90,142, respectively; 23.15 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. \$88,697 representing the unpaid contribution for fiscal year 2010.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 9- DEFINED BENEFIT PENSION PLANS-** (Continued)

**State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 percent 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 who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. Of the District's contribution, 13 percent was used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by 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 DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$374,433, \$364,433, and \$343,518, respectively; 74.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. \$93,862 representing the unpaid contribution for fiscal year 2010.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 9- DEFINED BENEFIT PENSION PLANS-** (Continued)

**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, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POST-EMPLOYMENT BENEFITS**

**State Teachers Retirement System**

**Plan Description** - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at [www.strsoh.org](http://www.strsoh.org) or obtain a copy by calling (888)227-7877.

**Funding Policy** - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$28,803, \$28,033 and \$26,424 respectively; 100 percent has been contributed for years 2010, 2009, and 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.7 billion at June 30, 2009 (the latest information year available). For the year ended June 30, 2009, net health care costs paid by STRS were \$298,110,000 and STRS had 129,659 eligible benefit recipients.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 10- POST-EMPLOYMENT BENEFITS-** (Continued)

**School Employees Retirement System**

**Health Care Plan** - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**The Medicare B Plan** - This plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is 0.76%. Walnut Township Local School District's contributions for the years ended June 30, 2010, 2009 and 2008 were, \$961, \$1,117 and \$780, respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 1.22%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Walnut Township Local School District's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$20,883, \$54,107 and \$37,887, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work 260 days per year, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for the Superintendent, 220 days for the Treasurer, 220 days for teachers, and 220 days for classified employees. Upon retirement, all employees receive one-fourth of the total sick leave accumulation.

**Insurance 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.

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the governmental activities long-term obligations of the District during fiscal year 2010 were as follows:

<b>Governmental Activities</b>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2010</u>	<u>Due in One Year</u>
General Obligation Bonds	1995	5.77%	\$2,280,000	\$0	\$135,000	\$2,145,000	145,000
Certificates of Participation	2007	4.52%	3,110,000	0	80,000	3,030,000	80,000
Total Government Activities			<u>\$5,390,000</u>	<u>\$0</u>	<u>\$215,000</u>	<u>\$5,175,000</u>	<u>\$225,000</u>

The bond issue outstanding relates to a project approved in 1995, for which bonds were issued in the amount of \$3,550,000, 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 \$2,145,000 with an interest rate of 5.77%.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**NOTE 12 - LONG-TERM OBLIGATIONS** - (Continued)

The certificates of participation outstanding relates to a project approved in 2007, which were issued in the amount of \$3,195,000 and are for the purpose of renovating, repairing and improving school facilities. These certificates mature in December 2033, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$3,030,000 with an interest rate of 4.52%.

Principal and interest requirements, which are paid out of the General Fund and Debt Service Fund, to retire general obligation debt outstanding at June 30, 2010 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2011	\$145,000	\$128,495	\$80,000	\$127,631	\$481,126
2012	155,000	119,195	85,000	124,538	483,733
2013	160,000	109,430	90,000	121,256	480,686
2014	170,000	99,200	90,000	117,769	476,969
2015	180,000	88,350	95,000	114,069	477,419
2016-2020	1,080,000	254,200	535,000	508,188	2,377,388
2021-2025	255,000	7,905	660,000	383,578	1,306,483
2026-2030	0	0	815,000	223,469	1,038,469
2031-2033	0	0	580,000	39,826	619,826
Total	<u>\$2,145,000</u>	<u>\$806,775</u>	<u>\$3,030,000</u>	<u>\$1,760,324</u>	<u>\$7,742,099</u>

The District's overall legal debt margin was \$6,859,639 with an unvoted debt margin of \$133,718 at June 30, 2010.

**NOTE 13- STATUTORY SET ASIDES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Effective April 10, 2001, Senate Bill 345 eliminated the Statutory requirement for a budget reserve; however, the amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**NOTE 13- STATUTORY SET ASIDES** -(Continued)

The following cash basis information describes the change in the fiscal year end set aside amounts for textbook and instructional materials and capital improvement. Disclosure of this information is required by State statute.

	Textbook and Instructional Materials	Capital Improvement	Totals
Set Aside Balances Carried Forward as of June 30, 2009	\$128,427	\$43,522	\$171,949
FY 2010 Set Aside Required	114,436	114,436	228,872
FY 2010 Qualifying Disbursements	(115,380)	(149,508)	(264,888)
Set Aside Balances Carried Forward to FY 2010	127,483	8,450	135,933
Set Aside Reserve Balances at June 30, 2010	<u>\$127,483</u>	<u>\$8,450</u>	
Total Restricted Assets			<u>\$135,933</u>

The District had qualifying disbursements during the year that reduced the capital improvement set aside amounts to zero. For the textbook and instructional materials set aside, if expenditures exceed current year or accumulated set aside requirements, or if the actual reserve cash balance exceeds the set aside requirements, the excess may be carried forward to offset future textbook set aside requirements. The District had excess amounts during the year that can be carried forward to future set aside requirements.

**NOTE 14- JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Education Council (MEC)**

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

**Central Ohio Special Education Regional Resource Center (COSERRC)**

COSERRC 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. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERRC.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 15- INSURANCE PURCHASING POOL**

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

**NOTE 16 - CONTINGENCIES**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 18,397	\$ 18,397
National School Lunch Program	10.555	160,489	160,489
Total Nutrition Cluster		<u>178,886</u>	<u>178,886</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>178,886</u></b>	<b><u>178,886</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Special Education Cluster:			
Special Education_Grants to States Program	84.027	122,106	122,106
ARRA - Special Education_Grants to States Program	84.391	108,106	108,106
Total Special Education Cluster		<u>230,212</u>	<u>230,212</u>
Title I Cluster:			
Title I Grants to Local Educational Agencies Program	84.010	150,568	151,218
ARRA - Title I Grants to Local Educational Agencies	84.389	45,609	40,025
Total Title I Grants Cluster		<u>196,177</u>	<u>191,243</u>
Safe and Drug-Free Schools and Communities State Grants Program	84.186	2,341	2,341
Education Technology State Grants Program	84.318	1,304	1,304
Improving Teacher Quality State Grants Program	84.367	29,758	29,758
ARRA -State Fiscal Stabilization Fund	84.394	95,987	95,987
<b>Total U.S. Department of Education</b>		<b><u>555,779</u></b>	<b><u>550,845</u></b>
<b>Totals</b>		<b><u>\$ 734,665</u></b>	<b><u>\$ 729,731</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2010, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 15, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Education, Finance Committee, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 15, 2010





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Walnut Township Local School District, Fairfield County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Walnut Township Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 15, 2010.

We intend this report solely for the information and use of the finance committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 15, 2010

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Including ARRA Funds (CFDA # 84.027 & 84.391)  Title I Grant Program Including ARRA Funds (CFDA #84.010 & 84.389)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2010-01**

**Noncompliance Finding - Ohio Administration Code**

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The District is subject to fines and various other administrative remedies.

We recommend the District prepare its financial statements in accordance with the generally accepted accounting principles.

Official's Response:

District officials made a financial decision not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeds the benefit.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Financial Statements not being prepared in accordance with GAAP - OAC 117-2-03(B).	No	Repeated as finding 2010-001.

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Mary Taylor, CPA  
Auditor of State

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 27, 2011