

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types
Year Ended June 30, 2000

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 1,973,700	0	464,454	0	\$ 2,438,154
Transportation Fees	132,393	0	0	0	132,393
Earnings on Investments	97,343	0	0	0	97,343
Extracurricular Activities	0	47,636	0	0	47,636
Classroom Materials & Fees	4,921	0	0	0	4,921
Miscellaneous	5,452	17,274	0	0	22,726
Revenue from State Sources					
Unrestricted Grants-in-Aid	1,407,787	0	61,400	0	1,469,187
Restricted Grants-in-Aid	10,526	31,689	0	577	42,792
Revenue for/on Behalf of District	1,150	0	0	0	1,150
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	114,620	0	0	114,620
Total Revenue	3,633,272	211,219	525,854	577	4,370,922
EXPENDITURES:					
Instruction					
Regular Instruction	1,867,465	46,061	0	10,043	1,923,569
Special Instruction	342,397	89,880	0	0	432,277
Supporting Services					
Supporting Services-Pupils	228,199	8,706	0	0	236,905
Supporting Services-Instructional Staff	64,271	6,010	0	0	70,281
Supporting Services-Board of Education	100,920	0	0	0	100,920
Supporting Services-Administration	310,221	13,781	0	0	324,002
Fiscal Services	166,818	3,762	8,822	0	179,402
Operation & Maintenance-Plant	402,170	747	0	0	402,917
Supporting Services-Pupil Transportation	221,760	0	0	0	221,760
Supporting Services-Central	6,611	4,339	0	0	10,950
Operation of Non-Instructional Services					
Community Services	2,658	0	0	0	2,658
Extracurricular Activities					
Academic & Subject Oriented	30,488	0	0	0	30,488
Sports Oriented	79,949	41,700	0	0	121,649
Co-Curricular Activities	0	8,317	0	0	8,317
Debt Service					
Repayment of Debt	0	0	477,680	0	477,680
Total Expenditures	3,823,927	223,303	486,502	10,043	4,543,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,655)	(12,084)	39,352	(9,466)	(172,853)
Other Financing Sources and Uses:					
Sale & Loss of Assets	448	0	0	0	448
Other Receipts	38,163	0	0	0	38,163
Transfer-In	1,050	0	0	0	1,050
Transfer-Out	(1,134)	0	0	0	(1,134)
Other Uses	(10,812)	0	0	0	(10,812)
Net Other Financing Sources and Uses	27,715	0	0	0	27,715
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure					
Disbursement and Other Uses	(162,940)	(12,084)	39,352	(9,466)	(145,138)
Increase in Inventory	1,218	0	0	0	1,218
Beginning Fund Balance	640,830	45,666	584,185	18,986	1,289,667
Ending Fund Balance	\$ 479,108	33,582	623,537	9,520	\$ 1,145,747

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 1,924,000	2,015,660	91,660	0	0	\$ 0
Tuition	117,000	132,393	15,393	0	0	0
Earnings on Investment	90,000	95,584	5,584	0	0	0
Extracurricular Activities	0	0	0	54,800	47,857	(6,943)
Classroom Materials & Fees	5,000	4,901	(99)	0	0	0
Miscellaneous	5,200	5,452	252	13,650	16,443	2,793
State Unrestricted Grants-in-Aid	1,449,300	1,407,787	(41,513)	0	0	0
State Restricted Grants-in-Aid	11,000	10,526	(474)	30,689	30,689	0
Fed. Revenue for/on Behalf of District	2,000	350	(1,650)	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	117,732	117,732	0
Total Revenue	3,603,500	3,672,653	69,153	216,871	212,721	(4,150)
Expenditures:						
Regular Instruction	1,918,250	1,883,256	34,994	46,266	42,160	4,106
Special Instruction	354,233	329,769	24,464	101,850	91,186	10,664
Support Services-Pupils	247,304	233,537	13,767	9,289	8,706	583
Support Services-Instructional Staff	67,220	64,100	3,120	7,653	6,027	1,626
Support Services-Board of Education	112,038	100,779	11,259	0	0	0
Support Services-Administration	312,762	302,554	10,208	20,841	13,782	7,059
Fiscal Services	177,045	163,929	13,116	3,762	3,762	0
Operation & Maintenance-Plant	466,350	403,617	62,733	748	747	1
Support Services-Transportation	290,386	272,910	17,476	0	0	0
Support Services-Central	8,000	6,616	1,384	4,339	4,339	0
Community Services	3,600	3,119	481	500	0	500
Academic & Subject Oriented	30,627	29,748	879	4,728	0	4,728
Sports Oriented	83,223	78,789	4,434	54,059	41,700	12,359
Co-Curricular Activities	0	0	0	10,810	9,677	1,133
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	4,071,038	3,872,723	198,315	264,845	222,086	42,759
Excess of Revenue Over						
(Under) Expenditures	(467,538)	(200,070)	267,468	(47,974)	(9,365)	38,609
Other Financing Sources (Uses):						
Sale & Loss of Assets	500	476	(24)	0	0	0
Transfers-In		1,050	1,050	0	0	0
Advances-In	15,000	15,000	0	5,000	5,000	0
Refund of Prior Years Rec/Exp	35,000	34,399	(601)	0	0	0
Transfers-Out	(11,870)	(11,862)	8	0	0	0
Advances-Out	(15,000)	(15,000)	0	(5,000)	(5,000)	0
Other Miscellaneous Uses of Funds	(4,743)	0	4,743	0	0	0
Total Other Sources (Uses)	18,887	24,063	5,176	0	0	0
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	(448,651)	(176,007)	272,644	(47,974)	(9,365)	38,609
Beginning Fund Balance	874,307	874,307	0	50,672	50,672	0
Prior Year Carry Over Encumbrances	14,272	14,272	0	1,695	1,695	0
Ending Fund Balance	\$ 439,928	\$ 712,572	272,644	4,393	43,002	\$ 38,609

(Continued)

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2000

	Debt Service Fund			Capital Projects Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 441,000	468,417	27,417	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	54,000	61,400	7,400	0	0	0
State Restricted Grants-in-Aid	0	0	0	577	577	0
Fed. Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	495,000	529,817	34,817	577	577	0
Expenditures:						
Regular Instruction	0	0	0	19,563	10,043	9,520
Special Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	12,000	8,823	3,177	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Repayment of Debt	480,000	477,680	2,320	0	0	0
Total Expenditures	492,000	486,503	5,497	19,563	10,043	9,520
Excess of Revenue Over						
(Under) Expenditures	3,000	43,314	40,314	(18,986)	(9,466)	9,520
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Rec/Exp	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Other Miscellaneous Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	3,000	43,314	40,314	(18,986)	(9,466)	9,520
Beginning Fund Balance	552,799	552,799	0	18,986	18,986	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
Ending Fund Balance	\$ 555,799	596,113	40,314	0	9,520	\$ 9,520

(Continued)

Walnut Township Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2000

Totals (Memorandum Only)			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,365,000	2,484,077	\$ 119,077
Tuition	117,000	132,393	15,393
Earnings on Investment	90,000	95,584	5,584
Extracurricular Activities	54,800	47,857	(6,943)
Classroom Materials & Fees	5,000	4,901	(99)
Miscellaneous	18,850	21,895	3,045
State Unrestricted Grants-in-Aid	1,503,300	1,469,187	(34,113)
State Restricted Grants-in-Aid	42,266	41,792	(474)
Fed. Revenue for/on Behalf of District	2,000	350	(1,650)
Federal Restricted Grants-in-Aid	117,732	117,732	0
Total Revenue	4,315,948	4,415,768	99,820
Expenditures:			
Regular Instruction	1,984,079	1,935,459	48,620
Special Instruction	456,083	420,955	35,128
Support Services-Pupils	256,593	242,243	14,350
Support Services-Instructional Staff	74,873	70,127	4,746
Support Services-Board of Education	112,038	100,779	11,259
Support Services-Administration	333,603	316,336	17,267
Fiscal Services	192,807	176,514	16,293
Operation & Maintenance-Plant	467,098	404,364	62,734
Support Services-Transportation	290,386	272,910	17,476
Support Services-Central	12,339	10,955	1,384
Community Services	4,100	3,119	981
Academic & Subject Oriented	35,355	29,748	5,607
Sports Oriented	137,282	120,489	16,793
Co-Curricular Activities	10,810	9,677	1,133
Repayment of Debt	480,000	477,680	2,320
Total Expenditures	4,847,446	4,591,355	256,091
Excess of Revenue Over (Under) Expenditures	(531,498)	(175,587)	355,911
Other Financing Sources (Uses):			
Sale & Loss of Assets	500	476	(24)
Transfer-In	0	1,050	1,050
Advances-In	20,000	20,000	0
Refund of Prior Years Rec/Exp	35,000	34,399	(601)
Transfer-Out	(11,870)	(11,862)	8
Advances-Out	(20,000)	(20,000)	0
Other Miscellaneous Uses of Funds	(4,743)	0	4,743
Total Other Sources (Uses)	18,887	24,063	5,176
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(512,611)	(151,524)	361,087
Beginning Fund Balance	1,496,764	1,496,764	0
Prior Year Carry Over Encumbrances	15,967	15,967	0
Ending Fund Balance	<u>\$ 1,000,120</u>	<u>1,361,207</u>	<u>\$ 361,087</u>

See Accompanying Notes to the General Purpose Financial Statements

Walnut Township Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
Year Ended June 30, 2000

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 166,981
Extracurricular Activities	3,210
Classroom Materials & Fees	15,099
Total Operating Revenue	185,290
Operating Expenses:	
Personal Services - Salary	85,434
Employee Benefits	35,220
Purchased Services	3,062
Supplies and Materials	119,330
Depreciation	1,705
Total Operating Expenses	244,751
Operating Loss	(59,461)
Non-Operating Revenues:	
Earnings on Investment	1,715
Miscellaneous	1,700
State Unrestricted Grants-in-Aid	3,108
Federal Unrestricted Grants-in-Aid	46,109
Federal Restricted Grants-in-Aid	7,936
Total Non-Operating Revenue	60,568
Non-Operating Expenses:	
Loss on Disposal of Assets	123
Total Non-Operating Expenses	123
Net Income Before Operating Transfers	984
Transfers-In	1,134
Transfers-Out	(1,050)
Total Transfers	84
Net Income	1,068
Beginning Retained Earnings	3,672
Retained Earnings at End of Year	\$ 4,740

See Accompanying Notes to the General Purpose Financial Statements

**Walnut Township Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Year Ended June 30, 2000**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (59,461)
Adjustments to Reconcile Operating (Loss) to Net Cash provided by Operating Activities:	
Depreciation	1,705
Net Increase (Decrease) in Assets:	
Accounts Receivable	(188)
Inventory	(336)
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	(2,370)
Accounts Payable	250
Accrued Wages and Benefits	759
Deferred Revenue	312
Compensated Absences	216
Other	1,700
Net Adjustments	<u>2,048</u>
Net Cash Used in Operating Activities	(57,413)
Cash Flows from Noncapital Financing Activities:	
Grants from State Sources	3,108
Grants from Federal Sources	45,042
Federal Commodities	9,003
Other Sources	1,799
Net Cash Provided by Non-capital Financing Sources	<u>58,952</u>
Net Increase in Cash & Cash Equivalents	1,539
Cash and Cash Equivalents at Beginning of Year	<u>35,062</u>
Cash and Cash Equivalents at End of Year	<u>\$ 36,601</u>
See Accompanying Notes to the General Purpose Financial Statements	

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1999, was 722. The District employed 52 certified employees and 28 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

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

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

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

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

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Fund Types (Continued)

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Type

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

Enterprise Funds

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

Fiduciary Fund Types

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

Expendable Trust Funds

These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The District currently has no expendable trust funds.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Proprietary Fund Type (Continued)

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District currently has no nonexpendable trust funds.

Agency Funds

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

Account Groups

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

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group

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

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental Fund Types. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2000 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

D. Budget and Budgetary Accounting

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

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

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

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

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

Encumbrances

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund and Enterprise Fund during the fiscal year amounted to \$99,058.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2000. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2000 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets

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

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

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

- State Foundation Program
- School Bus Funding
- Homestead & Rollback Funding

Special Revenue Funds

- Educational Management Information Systems
- Data Communication

Capital Projects

- School Net Tech Credits

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

J. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants:

Special Revenue Funds

- Professional Development Fund
- DPIA
- Title I
- Title II
- Title VI
- Title VI-B
- Title VI-R
- Data Communication
- Ohio Reads
- Summer Intervention
- Safe Schools Hotline
- Continuous Improvement Grant
- Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 36% of the District's operating revenue during the 2000 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the District had no Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2000 the District had no long-term interfund loans.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

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

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

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

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2000, the District had contributed capital in the amount of \$42,372.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Long-Term Obligations

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

P. Interfund Transactions

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

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

R. Fund Balance Reserves

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

S. Memorandum Only - Total Columns

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Estimates

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

2. BUDGETARY BASIS OF ACCOUNTING

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

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
GAAP Basis	\$ (162,940)	(12,084)	39,352	\$ (9,466)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	39,381	1,502	3,963	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(48,796)	1,217	(1)	0
Due to Other Sources/Uses	(3,652)	0	0	0
Budget Basis	<u>\$ (176,007)</u>	<u>(9,365)</u>	<u>43,314</u>	<u>\$ (9,466)</u>

3. CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. CASH AND INVESTMENTS (Continued)

Deposits

At year end, the carrying amount of the District's deposits was \$37,260 and the bank balance was \$78,373. Of the bank balance, all was covered by federal depository insurance. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments:

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

	Category Unclassified	Reported Amount	Fair Value
Star Ohio	<u>\$ 1,431,362</u>	<u>1,431,362</u>	<u>\$ 1,431,362</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,468,647	\$ 0
Investments:		
STAR Ohio	(1,431,362)	1,431,362
Total	<u>37,285</u>	<u>1,431,362</u>
Petty Cash	(25)	
GASB Statement No. 3	<u>\$ 37,260</u>	<u>\$ 1,431,362</u>

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1996, an update was completed in 1999. The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

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

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

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

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

The full tax rate at the fiscal year ended June 30, 2000 for operations was \$42.50 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2000 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 4,000,480
Real Property-Residential/Agricultural	71,104,930
Real Property-Minerals	16,730
Personal Property-General	1,213,721
Personal Property-Public Utilities	<u>7,633,070</u>
Total Assessed Value	<u><u>\$ 83,968,931</u></u>

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$ 950
Speech Services	34,138.
Special Revenue Funds:	
SchoolNet	1,000
Total Intergovernmental Receivable	<u><u>\$ 36,088</u></u>

6. FIXED ASSETS

The following is a summary of the proprietary funds furniture and equipment at June 30, 2000:

Furniture and Equipment	\$ 112,217
Less Accumulated Depreciation	<u>(81,732)</u>
Net Fixed Assets	<u><u>\$ 30,485</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$ 181,113			\$ 181,113
Buildings	11,433,775			11,433,775
Furniture and Equipment	2,066,503	60,397	6,908	2,119,992
Vehicles	454,482			454,482
Total General Fixed Assets	<u><u>\$ 14,135,873</u></u>	<u><u>60,397</u></u>	<u><u>6,908</u></u>	<u><u>\$ 14,189,362</u></u>

There was no construction in progress at June 30, 2000.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; For fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$78,828, \$73,416 and \$73,872, respectively; 45.45 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$47,304 representing the unpaid contribution for fiscal year 2000, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District 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 provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$294,360, \$294,480 and \$270,024, respectively; 83.0 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$49,059 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security

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, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$168,206 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, this amount equaled \$43,364 during the 2000 fiscal year.

The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. COMPENSATED ABSENCES

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

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

The classified personnel accumulate vacation based on the following schedule:

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

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

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

10. RISK MANAGEMENT

General Risk

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$16,468,100. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reduction of coverage from the prior years.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

Workers' Compensation-Public Entity Risk Pool

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

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

11. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance			Balance
	July 1, 1999	Additions	Deletions	June 30,2000
Intergovernmental Payable	\$ 27,188	4,838	0	\$ 32,026
General Obligation Bonds Payable	4,340,000	0	195,000	4,145,000
Compensated Absences Payable	354,357	43,726	0	398,083
	<u>\$ 4,721,545</u>	<u>48,564</u>	<u>195,000</u>	<u>\$ 4,575,109</u>

The \$4,145,000 of outstanding general obligation bonds relate to two projects. The first project was approved in 1985, for which bonds were issued for the purpose of an addition, improving and equipping the high school building and improving the site thereof. These bonds mature December 2007, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$910,000 with an interest rate of 9.25%.

The second bond issue outstanding relates to a project approved in 1995, for which bonds were issued for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$3,235,000 with an interest rate of 5.77%.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. NOTES AND LONG-TERM DEBT (Continued)

The annual maturities of the general obligation bonds as of June 30, 2000, and related interest payments are as follows:

	Principal	Interest	Payment
FY2001	\$ 195,000	268,807	\$ 463,807
FY2002	200,000	254,737	454,737
FY2003	210,000	240,121	450,121
FY2004	215,000	224,948	439,948
FY2005	220,000	209,441	429,441
FY2006 and thereafter	3,105,000	1,618,234	4,723,234
	<u>\$ 4,145,000</u>	<u>2,816,288</u>	<u>\$ 6,961,288</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District's unvoted debt limit is \$83,969. The voted debt limit at June 30, 2000 is \$7,557,204.

12. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC)

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

Central Ohio Special Education Regional Resource Center

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

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform Supplies Fund	Community Service Fund	Total
Operating Revenues	\$ 166,981	15,099	3,210	\$ 185,290
Operating Expenses:				
Depreciation	(1,705)	0	0	(1,705)
Other Expenses	(224,707)	(14,322)	(4,017)	(243,046)
Total Operating Expenses	(226,412)	(14,322)	(4,017)	(244,751)
Operating Income (Loss)	(59,431)	777	(807)	(59,461)
Non Operating Revenues				
Operating Grants	57,153	0	0	57,153
Transfers-In/Out	0	84	0	84
Loss on Disposal of Assets	(123)	0	0	(123)
Miscellaneous	1,715	0	1,700	3,415
Net Income (Loss)	\$ (686)	861	893	\$ 1,068
Net Working Capital	\$ 2,393	9,947	4,287	\$ 16,627
Total Assets	\$ 56,912	9,947	4,668	\$ 71,527
Total Retained Earnings	\$ (9,494)	9,947	4,287	\$ 4,740
Total Contributed Capital	\$ 42,372	0	0	\$ 42,372

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2000.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$1,154,119 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warranting further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**WALNUT LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1999	\$ 0	0	48,652	\$ 48,652
Current Year Set-Aside Requirement	84,057	84,057	1,329	169,443
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(82,955)	(86,902)	0	(169,857)
Total	<u>1,102</u>	<u>(2,845)</u>	<u>49,981</u>	<u>48,238</u>
Cash Balance Carried Forward to FY2001	<u>\$ 1,102</u>	<u>0</u>	<u>49,981</u>	
Amount Restricted for Budget Stabilization and Textbook Acquisition				<u>\$ 51,083</u>
Total Restricted Assets				<u>\$ 51,083</u>

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

17. FUND DEFICITS

Fund balances and retained earnings at June 30, 2000, included the following individual deficits:

Fund	Amount
DPIA	\$ (1,592)
Miscellaneous Federal Grants	<u>(544)</u>
Total	<u>\$ (2,136)</u>

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



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

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

We have audited the general-purpose financial statements of the Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 7, 2000.

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

JIM PETRO
Auditor of State

December 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2000**