

**Walnut Township Local School District  
Fairfield County, Ohio**

Basic Financial Statements

June 30, 2016

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Walnut Township Local School District  
11850 Lancaster Street  
Millersport, OH 43046

We have reviewed the *Independent Auditors' Report* of the Walnut Township Local School District, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Walnut Township Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 6, 2017

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in cash basis financial position thereof, and the respective budgetary fund comparison for the General Fund, for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code Section 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinions regarding this matter.

**Other Matters***Supplemental and Other Information*

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions have not been subjected to the audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 9, 2016

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(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, 2016. 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 position of the District at June 30, 2016 is \$2,129,854. This balance was comprised of a \$598,858 balance in net position amounts restricted for specific purposes, and \$1,530,996 in unrestricted net position.

In total, net position of governmental activities increased by \$1,003,077, which represents a 98.49 percent increase from 2015. Net position of the business-type activities decreased \$5,621 which represents a 4.93 percent decrease from 2015.

General receipts accounted for \$6,969,300 or 86.39 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,098,379 or 13.61 percent of total receipts of \$8,067,679 for the governmental activities.

The District had \$7,064,602 in disbursements related to governmental activities; only \$1,098,379 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 \$6,969,300 were used to provide for the remainder of these programs.

The District had \$302,317 in disbursements related to business-type activities; \$293,887 of these disbursements were offset by program specific charges for services and sales, operating grants and contributions.

The District recognizes two major governmental funds: the General and Bond Retirement 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 \$7,468,115 in receipts and \$6,448,327 in disbursements in fiscal year 2016.

**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, 2016  
(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. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's 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 position presents information on the District's cash and net position. Over time, increases and decreases in net position 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 position changed during the recent fiscal year. All changes in net position 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 are reported as business activities.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(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**

The District maintains two different types of proprietary funds; enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food service activities. Internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. The District uses an internal service fund to account for the self insurance program. Because this service predominately benefits governmental rather than business-type functions, it has been included with governmental activities in the government-wide financial statements.

**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 net cash position) 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, 2016*  
*(Unaudited)*

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing cash and net position. Table 1 provides a summary of the District's net position for 2016 compared to fiscal year 2015:

Table 1

**Net Position at Year End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets:</u></b>						
Cash and Cash Equivalents	\$2,021,560	\$1,018,483	\$108,294	\$113,915	\$2,129,854	\$1,132,398
<i>Total Assets</i>	<u>2,021,560</u>	<u>1,018,483</u>	<u>108,294</u>	<u>113,915</u>	<u>2,129,854</u>	<u>1,132,398</u>
<b><u>Net Position:</u></b>						
Restricted	598,858	545,462	0	0	598,858	545,462
Unrestricted	<u>1,422,702</u>	<u>473,021</u>	<u>108,294</u>	<u>113,915</u>	<u>1,530,996</u>	<u>586,936</u>
<i>Total Net Position</i>	<u>\$2,021,560</u>	<u>\$1,018,483</u>	<u>\$108,294</u>	<u>\$113,915</u>	<u>\$2,129,854</u>	<u>\$1,132,398</u>

Total Cash and Cash Equivalents increased \$997,456 from fiscal year 2015 due primarily to the reduction of current year disbursements, as well as new property taxes received from 2015 levy passed.

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

The remaining balance of \$598,858 is restricted net position; which is 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, 2016*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2016 and provides a comparison to fiscal year 2015.

Table 2

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2016	2015	2016	2015	2016	2015
<b><u>Receipts:</u></b>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$500,863	\$504,492	\$108,836	\$110,354	\$609,699	\$614,846
Operating Grants and Contributions	597,516	891,741	185,051	198,325	782,567	1,090,066
<i>General Receipts:</i>						
Property Taxes	3,914,427	3,388,470	0	0	3,914,427	3,388,470
Income Taxes	1,441,326	1,481,326	0	0	1,441,326	1,481,326
Unrestricted Grants and Entitlement	1,497,491	1,470,177	0	0	1,497,491	1,470,177
Investments Earnings	7,756	2,857	0	0	7,756	2,857
Miscellaneous	108,300	103,500	2,809	2,965	111,109	106,465
<i>Total Receipts</i>	<i>8,067,679</i>	<i>7,842,563</i>	<i>296,696</i>	<i>311,644</i>	<i>8,364,375</i>	<i>8,154,207</i>

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

Table 2

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><i>Disbursements:</i></b>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,004,485	3,722,018	0	0	3,004,485	3,722,018
Special	1,164,241	1,216,806	0	0	1,164,241	1,216,806
Vocational	9,230	77,063	0	0	9,230	77,063
<i>Support Services:</i>						
Pupils	245,224	220,316	0	0	245,224	220,316
Instructional Staff	85,705	231,905	0	0	85,705	231,905
Board of Education	91,888	100,630	0	0	91,888	100,630
Administration	423,681	452,507	0	0	423,681	452,507
Fiscal	463,937	463,569	0	0	463,937	463,569
Business	1,192	1,138	0	0	1,192	1,138
Operation and Maintenance of Plant	508,303	512,076	0	0	508,303	512,076
Pupil Transportation	356,590	331,264	0	0	356,590	331,264
Central	9,851	11,831	0	0	9,851	11,831
Operation of Non-Instructional Service	180	0	0	0	180	0
Extracurricular Activities	223,047	232,731	0	0	223,047	232,731
Principal Retirement	290,000	275,000	0	0	290,000	275,000
Interest and Fiscal Charges	187,048	202,419	0	0	187,048	202,419
Food Service	0	0	302,317	316,054	302,317	316,054
<i>Total Disbursements</i>	<u>7,064,602</u>	<u>8,051,273</u>	<u>302,317</u>	<u>316,054</u>	<u>7,366,919</u>	<u>8,367,327</u>
<i>Changes in Net Position</i>	1,003,077	(208,710)	(5,621)	(4,410)	997,456	(213,120)
<i>Net Position at Beginning of Year</i>	<u>1,018,483</u>	<u>1,227,193</u>	<u>113,915</u>	<u>118,325</u>	<u>1,132,398</u>	<u>1,345,518</u>
<i>Net Position at End of Year</i>	<u>\$2,021,560</u>	<u>\$1,018,483</u>	<u>\$108,294</u>	<u>\$113,915</u>	<u>\$2,129,854</u>	<u>\$1,132,398</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2016*

*(Unaudited)*

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The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Fiscal, and Administration. These programs account for 78.77 percent of the total governmental activities. Regular Instruction, which accounts for 42.53 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 16.48 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 7.20 percent of the total, represents costs associated with operating and maintaining the District's facilities. Fiscal, which represents 6.57 percent of the total, represents costs associated with the Treasurer's office and the fiscal operations of the District. Administration, which represents 6.00 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

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 84.95 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities increased \$1,003,077 or 98.49 percent. This is an increase from last year when net position decreased \$208,710 or 17.01 percent. Governmental activities receipts increased \$225,116 or 2.87 percent over last year and disbursements decrease \$986,671 or 12.25 percent from last year.

The District had program receipt decreases for governmental activities of \$297,854 yet an increase in general receipts of \$522,970. The decrease in program receipts is mostly due to a decrease in operating grants and contributions associated with a one-time state educational grant received in the prior year. The increase in general receipts is primarily due to the increase in property taxes due to additional tax levy approved in August 2015.

The total disbursements for governmental activities decreased \$986,671 due primarily to a decrease of \$837,931 in instructional disbursements, which is the result of cost saving efforts of the District.

The District's business-type activity is the Food Service. This fund represents costs associated with food service operations.

As noted previously, the net position for the business-type decreased \$5,621 or 4.93 percent. This is a decrease from last year when net position decreased \$4,410 or 3.73 percent. Business-type activities receipts decreased \$14,948 or 4.80 percent from last year and disbursements decreased \$13,737 or 4.35 percent from last year.

### **Governmental Activities**

Over the past year, the District has rebounded from financial difficulties realized in the past few fiscal years. 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. Property taxes made up 48.52 percent, income taxes made up 17.87 percent and intergovernmental receipts made up 25.97 percent of the total receipts for the governmental activities in fiscal year 2016.

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 20 mills. The District's operating millage rate is currently at 20 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2016, the District received \$1,441,326, which is consistent with those received in the prior year.

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 2016, the District received \$1,359,055 through the State's foundation program, which represents 16.85 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 59.14 percent of governmental activities program disbursements. Support services expenses make up 30.95 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 consist of food service. Program receipts total \$293,887 and disbursements total \$302,317 for fiscal year 2016. 37.03 percent of 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 2016 and comparison to fiscal year 2015. 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**

	<u>Total Cost of Services</u> <u>2016</u>	<u>Net Cost of Services</u> <u>2016</u>	<u>Total Cost of Services</u> <u>2015</u>	<u>Net Cost of Services</u> <u>2015</u>
<b><u>Program Disbursements:</u></b>				
<i>Governmental Activities:</i>				
Instruction	\$4,177,956	\$3,296,270	\$5,015,887	\$3,896,240
Support Services	2,186,551	2,027,795	2,325,236	2,074,802
Extracurricular Activities	223,047	165,110	232,731	206,579
Principal Retirement	290,000	290,000	275,000	275,000
Interest and Fiscal Charges	187,048	187,048	202,419	202,419
<i>Business-Type Activities:</i>				
Food Service	302,317	8,430	316,054	7,375
Total Disbursements	<u>\$7,366,919</u>	<u>\$5,974,653</u>	<u>\$8,367,327</u>	<u>\$6,662,415</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)*

**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 \$8,066,979 and disbursements of \$7,051,884.

Total governmental funds fund balance increased by \$1,015,795. The increase in fund balance for the year was most significant in the General Fund with an increase of \$1,020,488, which occurred as a result of the reduction of disbursements during fiscal year 2016 and additional tax receipts from levy approved in 2015.

**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 supervisor's 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 budgeted receipts were \$7,670,475, representing an increase of \$436,301 from the original budget estimates of \$7,234,174. For the General Fund, the final budgeted disbursements were \$7,037,961, representing an increase of \$394,894 from the original budget estimates of \$6,643,067. The final budget reflected a 5.94 percent increase from the original budgeted amount due to reinstatement of certain budgetary reductions after the approval of the tax levy in August 2015.

**Debt Administration**

At June 30, 2016, the District had \$3,635,000 in general obligation debt outstanding with \$310,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2016 compared to fiscal year 2015.

Table 4

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

Purpose	2016	2015
1995 School Improvement Bonds	\$1,145,000	\$1,335,000
Certificates of Participation Project	2,490,000	2,590,000
Total	<u>\$3,635,000</u>	<u>\$3,925,000</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, 2016  
(Unaudited)*

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**Economic Factors**

Although considered a mid-wealth district, the District is still classified as being in fiscal caution due to projected accumulated deficits prior to the approval of the property tax levy in August 2015. As indicated in the preceding financial information, the District is dependent on property taxes and state funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding from property taxes to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students and the current financial forecast projects a strong general fund cash balance beyond fiscal year 2021.

With the passage of the new State Budget for 2016- 2017, Ohio schools did not see a change in the funding method. Currently, there are nine separate funding components; each uses a slightly different basis and enrollment in its calculation. The overriding change however is there is no longer a property valuation and millage based local share or "charge-off". A district's local share is determined first and then used throughout the various components. During this two-year budget, there is still a minimum guarantee amount based on a district funding in fiscal year 2016. Added is now a "cap" or maximum increase from one year to the next. In fiscal year 2016, the funding cap limit was 1.075%. The District is on the minimum funding guarantee for both fiscal years 2016 and 2017.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved. Residential/agricultural property contributes over 86 percent of the District's property tax valuation.

**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 Christy Moore, Treasurer, Walnut Township Local School District, 11850 Lancaster Street, Millersport, Ohio 43046.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Net Position - Cash Basis*

*June 30, 2016*

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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	\$1,944,703	\$108,294	2,052,997
Cash and Cash Equivalents With Fiscal Agents	76,857	0	76,857
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	2,021,560	108,294	2,129,854
	<hr/>	<hr/>	<hr/>
<b><u>Net Position:</u></b>			
<i>Restricted for:</i>			
Debt Service	403,827	0	403,827
Other Purposes	42,550	0	42,550
Set Asides	152,481	0	152,481
Unrestricted	1,422,702	108,294	1,530,996
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	\$2,021,560	\$108,294	\$2,129,854
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2016*

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><i>Governmental Activities:</i></b>						
<i>Instruction:</i>						
Regular	\$3,004,485	\$447,409	\$21,017	(\$2,536,059)	\$0	(\$2,536,059)
Special	1,164,241	0	410,282	(753,959)	0	(753,959)
Vocational	9,230	0	2,978	(6,252)	0	(6,252)
<i>Support Services:</i>						
Pupils	245,224	0	0	(245,224)	0	(245,224)
Instructional Staff	85,705	0	23,544	(62,161)	0	(62,161)
Board of Education	91,888	0	0	(91,888)	0	(91,888)
Administration	423,681	792	1,563	(421,326)	0	(421,326)
Fiscal	463,937	0	0	(463,937)	0	(463,937)
Business	1,192	0	0	(1,192)	0	(1,192)
Operation and Maintenance of Plant	508,303	0	0	(508,303)	0	(508,303)
Pupil Transportation	356,590	0	129,257	(227,333)	0	(227,333)
Central	9,851	0	3,600	(6,251)	0	(6,251)
Operation of Non-Instructional Services	180	0	0	(180)	0	(180)
Extracurricular Activities	223,047	52,662	5,275	(165,110)	0	(165,110)
<i>Debt Service:</i>						
Principal Retirement	290,000	0	0	(290,000)	0	(290,000)
Interest and Fiscal Charges	187,048	0	0	(187,048)	0	(187,048)
<b><i>Total Governmental Activities</i></b>	<b>7,064,602</b>	<b>500,863</b>	<b>597,516</b>	<b>(5,966,223)</b>	<b>0</b>	<b>(5,966,223)</b>
<b><i>Business-Type Activities:</i></b>						
Food Service	302,317	108,836	185,051	0	(8,430)	(8,430)
<b><i>Total Business-Type Activities</i></b>	<b>302,317</b>	<b>108,836</b>	<b>185,051</b>	<b>0</b>	<b>(8,430)</b>	<b>(8,430)</b>
<b><i>Totals</i></b>	<b>\$7,366,919</b>	<b>\$609,699</b>	<b>\$782,567</b>	<b>(5,966,223)</b>	<b>(8,430)</b>	<b>(5,974,653)</b>
<b><i>General Receipts:</i></b>						
<i>Property Taxes Levied for:</i>						
General Purposes				3,659,876	0	3,659,876
Debt Service				254,551	0	254,551
Income Taxes				1,441,326	0	1,441,326
Grants and Entitlements not Restricted to Specific Programs				1,497,491	0	1,497,491
Investment Earnings				7,756	0	7,756
Miscellaneous				108,300	2,809	111,109
<b><i>Total General Receipts</i></b>				<b>6,969,300</b>	<b>2,809</b>	<b>6,972,109</b>
Change in Net Position				1,003,077	(5,621)	997,456
<i>Net Position at Beginning of Year</i>				1,018,483	113,915	1,132,398
<b><i>Net Position at End of Year</i></b>				<b>\$2,021,560</b>	<b>\$108,294</b>	<b>\$2,129,854</b>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*June 30, 2016*

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,352,369	\$403,827	\$36,026	\$1,792,222
<b><u>Restricted Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	<u>152,481</u>	<u>0</u>	<u>0</u>	<u>152,481</u>
<b><i>Total Assets</i></b>	<b><u><u>\$1,504,850</u></u></b>	<b><u><u>\$403,827</u></u></b>	<b><u><u>\$36,026</u></u></b>	<b><u><u>\$1,944,703</u></u></b>
<b><u>Fund Balances:</u></b>				
Nonspendable	\$1,342	\$0	\$0	\$1,342
Restricted	152,481	403,827	42,032	598,340
Committed	518	0	0	518
Assigned	96,531	0	0	96,531
Unassigned	<u>1,253,978</u>	<u>0</u>	<u>(6,006)</u>	<u>1,247,972</u>
<b><i>Total Fund Balances</i></b>	<b><u><u>\$1,504,850</u></u></b>	<b><u><u>\$403,827</u></u></b>	<b><u><u>\$36,026</u></u></b>	<b><u><u>\$1,944,703</u></u></b>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Cash Balances to  
Net Cash Position of Governmental Activities  
June 30, 2016*

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**Total Governmental Fund Cash Balances** \$1,944,703

*Amounts reported for governmental activities in the  
statement of net position are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

76,857

*Net Cash Position of Governmental Activities*

\$2,021,560

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, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$3,659,876	\$254,551	\$0	\$3,914,427
Income Taxes	1,441,326	0	0	1,441,326
Intergovernmental	1,800,522	33,074	254,573	2,088,169
Interest	7,756	0	0	7,756
Tuition and Fees	447,409	0	0	447,409
Extracurricular Activities	20,303	0	33,151	53,454
Gifts and Donations	1,563	0	5,275	6,838
Miscellaneous	89,360	0	18,240	107,600
<i>Total Receipts</i>	<u>7,468,115</u>	<u>287,625</u>	<u>311,239</u>	<u>8,066,979</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	2,984,121	0	29,594	3,013,715
Special	947,400	0	211,384	1,158,784
Vocational	9,109	0	0	9,109
<i>Support Services:</i>				
Pupils	243,178	0	0	243,178
Instructional Staff	36,045	0	49,327	85,372
Board of Education	91,712	0	0	91,712
Administration	418,988	0	0	418,988
Fiscal	457,033	4,715	0	461,748
Business	1,192	0	0	1,192
Operation and Maintenance of Plant	505,614	0	0	505,614
Pupil Transportation	354,599	0	0	354,599
Central	6,251	0	3,600	9,851
Operation of Non-Instructional Services	0	0	180	180
Extracurricular Activities	182,917	0	37,877	220,794
<i>Debt Service:</i>				
Principal Retirement	100,000	190,000	0	290,000
Interest and Other Fiscal Charges	110,168	76,880	0	187,048
<i>Total Disbursements</i>	<u>6,448,327</u>	<u>271,595</u>	<u>331,962</u>	<u>7,051,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,019,788	16,030	(20,723)	1,015,095
<b><u>Other Financing Sources:</u></b>				
Proceeds from the Sale of Capital Assets	700	0	0	700
<i>Total Other Financing Sources</i>	<u>700</u>	<u>0</u>	<u>0</u>	<u>700</u>
<i>Net Change in Fund Balances</i>	1,020,488	16,030	(20,723)	1,015,795
<i>Fund Balances at Beginning of Year</i>	<u>484,362</u>	<u>387,797</u>	<u>56,749</u>	<u>928,908</u>
<i>Fund Balances at End of Year</i>	<u>\$1,504,850</u>	<u>\$403,827</u>	<u>\$36,026</u>	<u>\$1,944,703</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Cash Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

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**Net Change in Fund Cash Balances - Total Governmental Funds** \$1,015,795

*Amounts reported for governmental activities in the  
statement of activities are different because:*

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

(12,718)

*Change in Net Cash Position of Governmental Activities*

\$1,003,077

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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$3,645,711	\$3,785,711	\$3,659,876	(\$125,835)
Income Taxes	1,278,928	1,441,326	1,441,326	0
Intergovernmental	1,786,935	1,881,328	1,800,522	(80,806)
Interest	2,500	8,400	7,756	(644)
Tuition and Fees	430,000	448,000	437,633	(10,367)
Extracurricular Activities	25,000	25,000	19,511	(5,489)
Miscellaneous	65,100	80,710	83,593	2,883
<i>Total Receipts</i>	7,234,174	7,670,475	7,450,217	(220,258)
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	2,993,507	3,175,800	3,003,710	172,090
Special	966,959	984,049	956,531	27,518
Vocational	9,122	9,415	9,109	306
<i>Support Services:</i>				
Pupils	205,297	247,206	243,376	3,830
Instructional Staff	51,753	51,085	36,195	14,890
Board of Education	97,265	109,513	93,386	16,127
Administration	396,124	419,827	411,206	8,621
Fiscal	448,616	490,146	450,608	39,538
Business	12,000	1,850	1,192	658
Operation and Maintenance of Plant	670,935	685,916	507,361	178,555
Pupil Transportation	402,587	417,412	348,657	68,755
Central	10,300	12,500	6,539	5,961
Extracurricular Activities				
Sport Oriented Activities	122,295	176,379	137,200	39,179
School and Public Service Co-Curricular Activities	46,138	46,694	45,717	977
<i>Debt Service:</i>				
Principal	100,000	100,000	100,000	0
Interest	110,169	110,169	110,168	1
<i>Total Disbursements</i>	6,643,067	7,037,961	6,460,955	577,006
<i>Excess of Receipts Over (Under) Disbursements</i>	591,107	632,514	989,262	356,748
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	0	700	700	0
Transfers Out	(50,000)	(50,000)	(30,944)	19,056
<i>Total Other Financing Sources (Uses)</i>	(50,000)	(49,300)	(30,244)	19,056
<i>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	541,107	583,214	959,018	375,804
<i>Fund Balance at Beginning of Year</i>	402,677	402,677	402,677	0
<i>Prior Year Encumbrances Appropriated</i>	44,764	44,764	44,764	0
<i>Fund Balance at End of Year</i>	\$988,548	\$1,030,655	\$1,406,459	\$375,804

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Position - Cash Basis*

*Proprietary Funds*

*June 30, 2016*

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	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
<b><u>Assets:</u></b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$108,294	\$0
Cash and Cash Equivalents with Fiscal Agents	<u>0</u>	<u>76,857</u>
<i>Total Assets</i>	<u>108,294</u>	<u>76,857</u>
<b><u>Net Position:</u></b>		
Unrestricted	<u>108,294</u>	<u>76,857</u>
<i>Total Net Position</i>	<u><u>\$108,294</u></u>	<u><u>\$76,857</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 Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2016*

	Enterprise Fund	Governmental Activities
		Internal Service
<b><u>Operating Receipts:</u></b>		
Charges for Services	\$108,836	\$808,000
Other Receipts	2,809	0
	111,645	808,000
<i>Total Operating Receipts</i>		
<b><u>Operating Disbursements:</u></b>		
Salaries	108,745	0
Fringe Benefits	52,213	0
Purchased Services	94	264,606
Materials and Supplies	123,286	0
Capital Outlay	17,979	0
Claims	0	556,178
	302,317	820,784
<i>Total Operating Disbursements</i>		
<i>Operating Income (Loss)</i>	(190,672)	(12,784)
<b><u>Nonoperating Receipts:</u></b>		
Federal and State Subsidies	185,051	0
Interest	0	66
	185,051	66
<i>Total Nonoperating Receipts</i>		
<i>Change in Net Position</i>	(5,621)	(12,718)
<i>Net Position at Beginning of Year</i>	113,915	89,575
<i>Net Position at End of Year</i>	\$108,294	\$76,857

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Fiduciary Assets and Net Position - Cash Basis*  
*Fiduciary Fund*  
*June 30, 2016*

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	<u>Agency Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,000</u>
<i>Total Assets</i>	<u><u>14,000</u></u>
<b><u>Net Position:</u></b>	
Due to Students	<u>14,000</u>
<i>Total Net Position</i>	<u><u>\$14,000</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, 2016*

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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 25 classified and 39 teaching personnel and 3 administrative employees providing education to approximately 565 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 three jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Education Council, Central Ohio Special Education Regional Resource Center, South Central Ohio Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 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 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, 2016*

---

**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 position 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 position 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 activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial cash position 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, 2016*

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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 cash balances

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 for and payment of general obligation bonds.

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 position and financial position. The District's proprietary funds are classified as either enterprise or internal service fund. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for transactions related to the food service operations. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and prescription drugs benefits to employees.

**Fiduciary Fund**

Fiduciary fund reporting focuses on net position and changes in net position. 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 net position) 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, 2016*

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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 2016 (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 2016.

**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, 2016*

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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 Fund. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$7,756, which includes \$3,013 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, 2016, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for 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, 2016*

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

**M. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**N. Net Position**

Net position is reported as restricted when there are limitations imposed on its 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 position is available.

**O. Fund Balance**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Unassigned** – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

When disbursements are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When disbursements are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**P. 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 for the self-insurance program. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of that fund. Receipts and disbursements not meeting these definitions are reported as nonoperating.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

For fiscal year 2016, the District implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 38”, and GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Government.” The implementation of GASB Statements Nos. 72, 73 and 76 had no effect on the prior period fund balances of the District.

**Compliance**

Ohio Administrative Code, Section 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, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Deficit Fund Balance**

At June 30, 2016 the Title I Grant Fund, a non-major special revenue fund, reported a fund deficit of \$6,006. This grant funding is provided on a reimbursement basis and as such the District recorded the disbursements during the fiscal year but did not receive reimbursement until after the end of the fiscal year.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, 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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash) and some funds are included in the general fund on the cash basis but not on the budgetary basis.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** – (Continued)

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, 2016:

<b>Net Change in Fund Balances (Deficits)/Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses</b>	
	General
Cash Basis	\$1,020,488
Encumbrances	(58,655)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	(2,815)
<b>Budgetary Basis</b>	<b>\$959,018</b>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash reporting basis.

**NOTE 5 - DEPOSITS**

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.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

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, 2015*

**NOTE 5 - DEPOSITS** - (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, 2016, the carrying amounts of all the District deposits were \$2,143,829, which includes \$76,857 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, as of June 30, 2016, \$1,846,247 of the District’s bank balance of \$2,256,435 was exposed to custodial risk as discussed below, while \$410,188 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 and public utility. 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. The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second - Half Collections		2016 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$132,372,070	89.03%	\$132,505,910	86.06%
Public Utility Personal	16,312,430	10.97%	21,465,870	13.94%
Total Assessed Value	<u>\$148,684,500</u>	<u>100.00%</u>	<u>\$153,971,780</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation		\$33.40		\$38.60

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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, 2016 are available to finance fiscal year 2016 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 1.75 percent for general operations on the earned income of residents. The tax became effective on January 1, 2014, 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 \$1,441,326 are credited to the General Fund for fiscal year 2016.

**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 2016, the District contracted with Tom Jones Insurance Agency, Inc. for property and fleet insurance and Ohio School Plan for liability insurance. Coverage's provided are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$25,502,150
Inland Marine Coverage (\$2,500 deductible)	24,374
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
<i>General Liability:</i>	
Per Occurrence	3,000,000
Total Per Year	5,000,000
<i>Public Official Bonds:</i>	
Treasurer	50,000
Superintendent	25,000
Board President	25,000
Public Employee Dishonesty	25,000

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Workers' Compensation**

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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.

**Health Insurance Benefits**

The District provides health and vision insurance program for its employees. The District has been self-funded through a program administered by the South Central Ohio Insurance Consortium (SCOIC) since July 1, 2015. Premiums are paid directly to SCOIC out of the District's self-insurance internal service fund. The SCOIC was established for the purpose of carrying out a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code, in an effort to minimize risk exposure and control claims and premium costs. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Stop loss limits are established by each district participating within the program. For fiscal year 2016, the District had an individual stop loss limit of \$50,000 per person with a \$3 million maximum lifetime limit per person. With this coverage, the District contributions to the program cover the first \$50,000 in claims per individual and anything in excess of the \$50,000 predetermined limit per person is covered by commercial stop loss coverage obtained through commercial carriers. Effective July 1, 2016 claims in excess of the individual predetermined limit established by each district up to \$200,000 will be covered by SCOIC internal pool with anything in excess of that amount covered by commercial carriers.

EV Benefits services all claims submitted by employees. The charges for services receipts reported in the internal service fund within these financial statements reflect the premiums paid by the same fund as those that are responsible for the employees' salaries. Disbursements reported within the internal service fund represent cash disbursements reported by SCOIC to operate the District's self-insurance program including claims, claims reserves and administrative costs.

At June 30, 2016, the District's had an estimated \$135,300 of claims liability, based on an estimate provided by SCOIC, related to incurred but not reported (IBNR) claims at year end. The change in claims activity for the past year is presented below. Comparative information regarding claims is not presented as fiscal year 2016 is the first year the District has been self-insured.

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2016	\$0	\$691,478	\$556,178	\$135,300

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. Accounting and financial reporting for pensions required by GASB Statements No. 68 and No. 71 do not have an effect on the District’s financial statements as the net pension liability is not reported within the financial statements. The net pension liability has been disclosed below.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

**Plan Description** –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

***Funding Policy*** – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. Of the 14 percent employer contribution rate none was allocated to the Health Care Fund for fiscal year 2016.

The District's contractually required pension contribution to SERS was \$103,761 for fiscal year 2016.

**Plan Description - State Teachers Retirement System (STRS)**

***Plan Description*** –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 65 with five year of qualifying service credit or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2017, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 65 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account.

STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required pension contribution to STRS was \$343,107 for fiscal year 2016.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,431,369	\$7,948,931	\$9,380,300
Proportion of the Net Pension Liability	0.02508490%	0.02876184%	

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$1,984,794	\$1,431,369	\$965,339

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$11,041,665	\$7,948,931	\$5,333,564

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

**Postemployment Benefits** – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** – (Continued)

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS 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 HMOs, PPOs, Medicare Advantage 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0 percent. An addition 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. By statutes no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$10,566, \$27,028 and \$13,731, 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 plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**State Teachers Retirement System**

**Plan Description** – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

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 Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0 and \$30,736, respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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 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. Beginning July 1, 2015 the District provides health, drug, and vision insurance through a self-insured program with the South Central Ohio Insurance Consortium. See Note 8 for more information.

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the governmental activities long-term obligations of the District during fiscal year 2016 were as follows:

<b>Governmental Activities</b>	<b>Issue Date</b>	<b>Interest Rate</b>	<b>Principal Outstanding July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding June 30, 2016</b>	<b>Due in One Year</b>
General Obligation Bonds	1995	6.20%	\$1,335,000	\$0	\$190,000	\$1,145,000	\$205,000
Certificates of Participation	2007	4.52%	2,590,000	0	100,000	2,490,000	105,000
Total Government Activities			<u>\$3,925,000</u>	<u>\$0</u>	<u>\$290,000</u>	<u>\$3,635,000</u>	<u>\$310,000</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 \$1,145,000 with an interest rate of 6.20%.

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 2032, 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 \$2,490,000 with an interest rate of 4.52%.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

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, 2016 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2017	\$205,000	\$64,635	\$105,000	\$106,069	\$480,704
2018	215,000	51,615	105,000	101,869	473,484
2019	230,000	37,820	110,000	97,431	475,251
2020	240,000	23,250	115,000	92,650	470,900
2021	255,000	7,950	120,000	87,656	470,606
2022-2026	0	0	690,000	354,616	1,044,616
2027-2031	0	0	850,000	186,713	1,036,713
2032-2033	0	0	395,000	17,888	412,888
Total	<u>\$1,145,000</u>	<u>\$185,270</u>	<u>\$2,490,000</u>	<u>\$1,044,892</u>	<u>\$4,865,162</u>

The District's overall legal debt margin was \$12,712,460 with an unvoted debt margin of \$153,972 at June 30, 2016.

**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 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.

The following cash basis changes occurred in the District's set-aside reserve account during fiscal year 2016:

	Capital Improvement
Set Aside Balances Carried Forward as of June 30, 2015	\$100,398
FY 2016 Set Aside Required	106,504
FY 2016 Qualifying Disbursements	54,421
Set Aside Balances Carried Forward to FY 2017	152,481
Set Aside Reserve Balances at June 30, 2016	152,481
Total Restricted Assets	<u>\$152,481</u>

Excess of qualified disbursements for capital improvements do not carry forward.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 14 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Unclaimed Monies	\$1,342	\$0	\$0	\$1,342
<i>Restricted:</i>				
Set Asides	152,481	0	0	152,481
Scholarships/Trusts	0	0	32,777	32,777
State Grant	0	0	1,046	1,046
Athletics	0	0	8,209	8,209
Debt Service	0	403,827	0	403,827
Total Restricted	152,481	403,827	42,032	598,340
<i>Committed:</i>				
Termination Benefits	518	0	0	518
<i>Assigned:</i>				
Uniform School Supplies	27,555	0	0	27,555
Public School Support	10,321	0	0	10,321
Student Instruction	47,910	0	0	47,910
Student and Staff Support	10,745	0	0	10,745
Total Assigned	96,531	0	0	96,531
<i>Unassigned</i>	1,253,978	0	(6,006)	1,247,972
Total Fund Balances	<u>\$1,504,850</u>	<u>\$403,827</u>	<u>\$36,026</u>	<u>\$1,944,703</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 15 – ENCUMBRANCE COMMITMENTS**

At June 30, 2016, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$58,819
<u>Nonmajor Funds</u>	
Athletics	706
Trust Fund	7,500
Title I Grant	1,792
Total Nonmajor Funds	<u>9,998</u>
Total Encumbrances	<u><u>\$68,817</u></u>

**NOTE 16- 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 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 (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.

**South Central Ohio Insurance Consortium (SCOIC)**

South Central Ohio Insurance Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 17- 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 18 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**B. School Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016. However, based to information available as of the date of these financial statements, these reviews of fiscal year 2015 and 2016 have resulted in reductions of foundation receipts of \$4,282 and \$14,524, respectively. Adjustments to foundation funding resulting from these reviews are adjusted through subsequent foundation settlements from the State.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Schedule of the District's Proportionate Share of Net Pension Liability*  
*Last Three Measurement Years(1)*

	2015	2014	2013
<b><u>School Employees Retirement System of Ohio</u></b>			
District's Proportion of the Net Pension Liability (Asset)	0.02508490%	0.030167%	0.030167%
District's Proportionate Share of the Net Pension Liability (Asset)	\$1,431,369	\$1,526,735	\$1,793,935
District's Covered-Employee Payroll	\$802,170	\$885,477	\$849,530
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	178.44%	172.42%	211.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio</u></b>			
District's Proportion of the Net Pension Liability (Asset)	0.02876184%	0.02935882%	0.02935882%
District's Proportionate Share of the Net Pension Liability (Asset)	\$7,948,931	\$7,141,081	\$8,506,409
District's Covered-Employee Payroll	\$2,886,514	\$3,230,408	\$3,298,308
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	275.38%	221.06%	257.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Schedule of the District Contributions*  
*Last Four Fiscal Years(1)*

	2016	2015	2014	2013
<b><u>School Employees Retirement System of Ohio</u></b>				
Contractually Required Contributions	\$103,761	\$105,726	\$122,723	\$117,575
Contributions in Relation to the Contractually Required Contributions	<u>(103,761)</u>	<u>(105,726)</u>	<u>(122,723)</u>	<u>(117,575)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$741,150	\$802,170	\$885,477	\$849,530
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%
<b><u>State Teachers Retirement System of Ohio</u></b>				
Contractually Required Contributions	\$343,107	\$404,112	\$419,953	\$428,780
Contributions in Relation to the Contractually Required Contributions	<u>(343,107)</u>	<u>(404,112)</u>	<u>(419,953)</u>	<u>(428,780)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,450,764	\$2,886,514	\$3,230,408	\$3,298,308
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2016, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control on financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2016-001.

**District Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 9, 2016

## Financial Statement Findings

### **2016-001: Reporting Annual Financial Statements**

*Condition:* The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

*Criteria:* Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

*Effect:* Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

*Cause:* Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

*Recommendation:* We recommend the District further consider reporting its annual financial report in accordance with GAAP.

*Management Response:* The District is aware of the financial reporting requirements and the District will continue to prepare cash basis GASB 34 Statements. The District's management does not believe that preparing and filing GAAP would benefit the District enough to offset the cost of preparing and auditing those statements.

**Finding 2015-001: Report Annual Financial Statements**

The District elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

*Status:* Uncorrected – See current audit finding 2015-001

**Finding 2015-002: Audit Adjustments**

The District's annual financial statements filed in accordance with Ohio Revised Code Section 117.38 were not complete or accurate in that audit adjustments were necessary to properly present fund financial statements for the internal service fund, add note disclosures related to the presentation of the internal service fund, and reclassify reported general fund balance amounts between assigned and unassigned categories.

*Status:* Corrected



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# Dave Yost • 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  
FEBRUARY 21, 2017