



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**JUNE 30, 2018 AND 2017
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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, Fairfield County, Ohio (the District), as of and for the years ended June 30, 2018 and 2017, 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 preparing and fairly presenting 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 designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and where applicable cash flows and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 16, 2019

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

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, 2018. 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, 2018 is \$5,350,850. This balance was comprised of a \$552,362 balance in net position amounts restricted for specific purposes, and \$4,798,218 in unrestricted net position.

In total, net position of governmental activities increased by \$1,457,991, which represents a 38.1 percent increase from 2017. Net position of the business-type activities decreased \$44,728 which represents a 40.47 percent increase from 2017.

General receipts accounted for \$8,031,725 or 86.38 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 \$1,266,413 or 13.62 percent of total receipts of \$9,298,138 for the governmental activities.

The District had \$7,840,147 in disbursements related to governmental activities; only \$1,266,413 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 \$8,031,725 were used to provide for the remainder of these programs.

The District had \$334,675 in disbursements related to business-type activities; \$287,251 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 \$8,671,866 in receipts and \$6,939,224 in disbursements in fiscal year 2018.

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, 2018
(Unaudited)

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, 2018
(Unaudited)

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, 2018
(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 2018 compared to fiscal year 2017:

Table 1
Net Position at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Assets:</u>						
Cash and Cash Equivalents	<u>\$5,555,058</u>	<u>\$3,826,790</u>	<u>\$65,799</u>	<u>\$110,527</u>	<u>\$5,620,857</u>	<u>\$3,937,317</u>
<i>Total Assets</i>	<u>5,555,058</u>	<u>3,826,790</u>	<u>65,799</u>	<u>110,527</u>	<u>5,620,857</u>	<u>3,937,317</u>
<u>Cash Liabilities:</u>						
Deficit in Pooled Cash with Fiscal Agent	<u>\$270,277</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$270,277</u>	<u>\$0</u>
<i>Total Assets</i>	<u>270,277</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>270,277</u>	<u>0</u>
<u>Net Position:</u>						
Restricted	<u>552,362</u>	<u>563,287</u>	<u>0</u>	<u>0</u>	<u>552,362</u>	<u>563,287</u>
Unrestricted	<u>4,732,419</u>	<u>3,263,503</u>	<u>65,799</u>	<u>110,527</u>	<u>4,798,218</u>	<u>3,374,030</u>
<i>Total Net Position</i>	<u>\$5,284,781</u>	<u>\$3,826,790</u>	<u>\$65,799</u>	<u>\$110,527</u>	<u>\$5,350,580</u>	<u>\$3,937,317</u>

Total Cash and Cash Equivalents increased \$1,683,540 from fiscal year 2017 due primarily to new property taxes received from the 2015 levy that was 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 \$552,362 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, 2018
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2018 and provides a comparison to fiscal year 2017.

Table 2

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<i>Receipts:</i>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$653,327	\$585,047	\$106,377	\$104,015	\$759,704	\$689,062
Operating Grants and Contributions	613,086	655,165	180,874	191,098	793,960	846,263
<i>General Receipts:</i>						
Property Taxes	4,628,396	4,546,001	0	0	4,628,396	4,546,001
Income Taxes	1,595,941	1,496,934	0	0	1,595,941	1,496,934
Unrestricted Grants and Entitlements	1,587,912	1,566,141	0	0	1,587,912	1,566,141
Investments Earnings	80,095	28,900	0	0	80,095	28,900
Proceeds from the Sale of Capital Assets	470	845	0	0	470	845
Miscellaneous	138,911	159,812	2,696	2,125	141,607	161,937
<i>Total Receipts</i>	9,298,138	9,038,845	289,947	297,238	9,588,085	9,336,083

(Continued)

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<i>Disbursements:</i>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,381,339	3,070,894	0	0	3,381,339	3,070,894
Special	1,027,515	1,106,354	0	0	1,027,515	1,106,354
<i>Support Services:</i>						
Pupils	362,013	303,916	0	0	362,013	303,916
Instructional Staff	138,861	37,439	0	0	138,861	37,439
Board of Education	133,674	104,197	0	0	133,674	104,197
Administration	527,191	449,856	0	0	527,191	449,856
Fiscal	435,947	443,041	0	0	435,947	443,041
Business	13,694	10,572	0	0	13,694	10,572
Operation and Maintenance of Plant	691,048	634,708	0	0	691,048	634,708
Pupil Transportation	356,162	383,890	0	0	356,162	383,890
Central	10,632	9,353	0	0	10,632	9,353
Operation of Non-Instructional Services	10,320	5,480	0	0	10,320	5,480
Extracurricular Activities	289,750	211,958	0	0	289,750	211,958
Principal Retirement	340,000	310,000	0	0	340,000	310,000
Interest and Fiscal Charges	122,001	151,957	0	0	122,001	151,957
Food Service	0	0	334,675	295,005	334,675	295,005
<i>Total Disbursements</i>	<u>7,840,147</u>	<u>7,233,615</u>	<u>334,675</u>	<u>295,005</u>	<u>8,174,822</u>	<u>7,528,620</u>
<i>Changes in Net Position</i>	1,457,991	1,805,230	(44,728)	2,233	1,413,263	1,807,463
<i>Net Position at Beginning of Year</i>	<u>3,826,790</u>	<u>2,021,560</u>	<u>110,527</u>	<u>108,294</u>	<u>3,937,317</u>	<u>2,129,854</u>
<i>Net Position at End of Year</i>	<u>\$5,284,781</u>	<u>\$3,826,790</u>	<u>\$65,799</u>	<u>\$110,527</u>	<u>\$5,350,580</u>	<u>\$3,937,317</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

(Unaudited)

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration, and Fiscal. These programs account for 77.03 percent of the total governmental activities. Regular Instruction, which accounts for 43.13 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 13.12 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 8.83 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.72 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 5.57 percent of the total, represents costs associated with the Treasurer's office and the fiscal operations of the District.

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 84.02 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities increased \$1,457,991 or 38.1 percent. This is a decrease from last year when net position increased \$1,805,230 or 89.30 percent. Governmental activities receipts increased \$259,293 or 2.87 percent over last year and disbursements increased \$606,531 or 8.38 percent from last year.

The District had program receipt increases for governmental activities of \$26,201 and an increase in general receipts of \$233,092. The increase in program receipts is mostly due to an increase in charges for services and sales. The increase in general receipts is primarily due to the increase in property taxes and income taxes.

The total disbursements for governmental activities increased \$606,531 due primarily to an increase of \$310,445 in regular instruction.

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 \$44,728 or 40.47 percent. This is a decrease from last year when net position increased \$2,233 or 2.06 percent. Business-type activities receipts decreased \$7,291 or 2.45 percent from last year and disbursements increased \$39,670 or 13.45 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 49.78 percent, income taxes made up 17.16 percent and intergovernmental receipts made up 23.67 percent of the total receipts for the governmental activities in fiscal year 2018.

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, 2018
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2018, the District received \$1,595,941, 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 2018, the District received \$1,439,927 through the State's foundation program, which represents 15.49 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 56.19 percent of governmental activities program disbursements. Support services expenses make up 34.18 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 \$287,251 and disbursements total \$334,675 for fiscal year 2018. 18.49 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 2018 and comparison to fiscal year 2017. 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 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$4,408,854	\$3,377,562	\$4,177,248	\$3,206,565
Support Services	2,679,542	2,512,154	2,382,452	2,218,527
Extracurricular Activities	289,750	222,017	211,958	106,354
Principal Retirement	340,000	340,000	310,000	310,000
Interest and Fiscal Charges	122,001	122,001	151,957	151,957
<i>Business-Type Activities:</i>				
Food Service	334,675	47,424	295,005	(108)
Total Disbursements	<u>\$8,174,822</u>	<u>\$6,621,158</u>	<u>\$7,528,620</u>	<u>\$5,993,295</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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 and other financing sources of \$9,298,138 and disbursements of \$7,561,704.

Total governmental funds fund balance increased by \$1,736,434. The increase in fund balance for the year was most significant in the General Fund with an increase of \$1,733,112, which occurred as a result of the District controlling spending levels from the 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 \$8,565,346, representing an increase of \$396,587 from the original budget estimates of \$8,168,759. For the General Fund, the final budgeted disbursements were \$7,662,644, representing an increase of \$361,636 from the original budget estimates of \$7,301,088. The final budget reflected a 4.95 percent increase from the original budgeted amount.

Debt Administration

At June 30, 2018, the District had \$3,180,000 in general obligation debt outstanding with \$365,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2018 compared to fiscal year 2017.

Table 4

Outstanding Debt, Governmental Activities at Year End

Purpose	2018	2017
1995 School Improvement Bonds	\$725,000	\$940,000
Certificates of Participation Project	2,455,000	2,385,000
Total	<u>\$3,180,000</u>	<u>\$3,325,000</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, 2018
(Unaudited)*

Economic Factors

Although considered a mid-wealth district, 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 2022.

With the passage of the new State Budget for 2017-2018, our District has experienced a change in the current funding method. During this two-year budget, funding levels are based on enrollment for 2015 and 2016. With the Fiscal Caution designation for 2015 and, as a result, a reduction in staffing, the enrollment dropped from 590 in 2015 to 571 in 2016. Due to the reduction in students for 2016, the District is now on the minimum funding guarantee (capped) for 2018-2019. The District was released from fiscal caution on January 11, 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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$5,555,058	\$65,799	5,620,857
<i>Total Assets</i>	<u>5,555,058</u>	<u>65,799</u>	<u>5,620,857</u>
<u>Cash Liabilities:</u>			
Deficit in Pooled Cash and Cash Equivalents with Fiscal Agent	270,277	0	270,277
<i>Total Liabilities</i>	<u>270,277</u>	<u>0</u>	<u>270,277</u>
<u>Net Position:</u>			
<i>Restricted for:</i>			
Debt Service	429,054	0	429,054
Other Purposes	82,661	0	82,661
Set Asides	40,647	0	40,647
Unrestricted	4,732,419	65,799	4,798,218
<i>Total Net Position</i>	<u>\$5,284,781</u>	<u>\$65,799</u>	<u>\$5,350,580</u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	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
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$3,381,339	\$598,343	\$19,443	(\$2,763,553)	\$0	(\$2,763,553)
Special	1,027,515	0	413,506	(614,009)	0	(614,009)
<i>Support Services:</i>						
Pupils	362,013	0	0	(362,013)	0	(362,013)
Instructional Staff	138,861	0	1,153	(137,708)	0	(137,708)
Board of Education	133,674	0	0	(133,674)	0	(133,674)
Administration	527,191	0	9,323	(517,868)	0	(517,868)
Fiscal	435,947	0	0	(435,947)	0	(435,947)
Business	13,694	0	0	(13,694)	0	(13,694)
Operation and Maintenance of Plant	691,048	0	0	(691,048)	0	(691,048)
Pupil Transportation	356,162	0	148,198	(207,964)	0	(207,964)
Central	10,632	0	8,714	(1,918)	0	(1,918)
Operation of Non-Instructional Services	10,320	0	0	(10,320)	0	(10,320)
Extracurricular Activities	289,750	54,984	12,749	(222,017)	0	(222,017)
<i>Debt Service:</i>						
Principal Retirement	340,000	0	0	(340,000)	0	(340,000)
Interest and Fiscal Charges	122,001	0	0	(122,001)	0	(122,001)
Total Governmental Activities	7,840,147	653,327	613,086	(6,573,734)	0	(6,573,734)
<u>Business-Type Activities:</u>						
Food Service	334,675	106,377	180,874	0	(47,424)	(47,424)
Total Business-Type Activities	334,675	106,377	180,874	0	(47,424)	(47,424)
Totals	\$8,174,822	\$759,704	\$793,960	(6,573,734)	(47,424)	(6,621,158)
<u>General Receipts:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				4,379,105	0	4,379,105
Debt Service				249,291	0	249,291
<i>Income Taxes Levied for:</i>						
General Purposes				1,595,941		1,595,941
Grants and Entitlements not Restricted to Specific Programs				1,587,912	0	1,587,912
Investment Earnings				80,095	0	80,095
Miscellaneous				138,911	2,696	141,607
Proceeds from the Sale of Capital Assets				470	0	470
Total General Receipts				8,031,725	2,696	8,034,421
Change in Net Position				1,457,991	(44,728)	1,413,263
<i>Net Position at Beginning of Year</i>				3,826,790	110,527	3,937,317
<i>Net Position at End of Year</i>				\$5,284,781	\$65,799	\$5,350,580

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,898,379	\$429,054	\$78,203	\$5,405,636
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	<u>40,647</u>	<u>0</u>	<u>0</u>	<u>40,647</u>
<i>Total Assets</i>	<u><u>\$4,939,026</u></u>	<u><u>\$429,054</u></u>	<u><u>\$78,203</u></u>	<u><u>\$5,446,283</u></u>
<u>Fund Balances:</u>				
Nonspendable	\$1,700	\$0	\$0	\$1,700
Restricted	40,647	429,054	82,143	551,844
Committed	518	0	0	518
Assigned	359,580	0	0	359,580
Unassigned	<u>4,536,581</u>	<u>0</u>	<u>(3,940)</u>	<u>4,532,641</u>
<i>Total Fund Balances</i>	<u><u>\$4,939,026</u></u>	<u><u>\$429,054</u></u>	<u><u>\$78,203</u></u>	<u><u>\$5,446,283</u></u>

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, 2018*

Total Governmental Fund Cash Balances \$5,446,283

*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.

(158,502)

Net Cash Position of Governmental Activities

\$5,284,781

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, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,379,105	\$249,291	\$0	\$4,628,396
Income Taxes	1,595,941	0	0	1,595,941
Intergovernmental	1,889,942	31,550	260,892	2,182,384
Interest	80,095	0	0	80,095
Tuition and Fees	598,343	0	0	598,343
Extracurricular Activities	600	0	54,384	54,984
Gifts and Donations	5,865	0	12,749	18,614
Miscellaneous	121,975	0	16,936	138,911
<i>Total Receipts</i>	<u>8,671,866</u>	<u>280,841</u>	<u>344,961</u>	<u>9,297,668</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,215,189	0	23,693	3,238,882
Special	767,441	0	229,222	996,663
<i>Support Services:</i>				
Pupils	350,086	0	0	350,086
Instructional Staff	132,799	0	1,420	134,219
Board of Education	132,997	0	0	132,997
Administration	497,434	0	3,446	500,880
Fiscal	418,973	4,587	0	423,560
Business	13,694	0	0	13,694
Operation and Maintenance of Plant	671,696	0	0	671,696
Pupil Transportation	347,536	0	0	347,536
Central	6,525	0	4,107	10,632
Operation of Non-Instructional Services	0	0	89,390	89,390
Extracurricular Activities	189,468	0	0	189,468
<i>Debt Service:</i>				
Principal Retirement	125,000	215,000	0	340,000
Interest and Other Fiscal Charges	70,386	51,615	0	122,001
<i>Total Disbursements</i>	<u>6,939,224</u>	<u>271,202</u>	<u>351,278</u>	<u>7,561,704</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,732,642	9,639	(6,317)	1,735,964
<u>Other Financing Sources:</u>				
Proceeds from the Sale of Capital Assets	470	0	0	470
<i>Total Other Financing Sources</i>	<u>470</u>	<u>0</u>	<u>0</u>	<u>470</u>
<i>Net Change in Fund Balances</i>	1,733,112	9,639	(6,317)	1,736,434
<i>Fund Balances at Beginning of Year</i>	<u>3,205,914</u>	<u>419,415</u>	<u>84,520</u>	<u>3,709,849</u>
<i>Fund Balances at End of Year</i>	<u><u>\$4,939,026</u></u>	<u><u>\$429,054</u></u>	<u><u>\$78,203</u></u>	<u><u>\$5,446,283</u></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, 2018*

Net Change in Fund Cash Balances - Total Governmental Funds \$1,736,434

*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.

(278,443)

Change in Net Cash Position of Governmental Activities

\$1,457,991

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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$4,279,127	\$4,379,105	\$4,379,105	\$0
Income Taxes	1,396,934	1,595,941	1,595,941	0
Intergovernmental	1,861,628	1,865,884	1,889,942	24,058
Interest	28,900	61,383	80,095	18,712
Tuition and Fees	501,820	587,310	580,887	(6,423)
Extracurricular Activities	350	600	600	0
Miscellaneous	100,000	75,123	116,256	41,133
<i>Total Receipts</i>	8,168,759	8,565,346	8,642,826	77,480
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,293,531	3,274,847	3,208,140	66,707
Special	880,157	854,569	767,865	86,704
<i>Support Services:</i>				
Pupils	329,827	368,169	350,652	17,517
Instructional Staff	95,745	147,915	132,841	15,074
Board of Education	116,591	134,744	141,079	(6,335)
Administration	498,809	493,677	491,454	2,223
Fiscal	476,267	458,942	421,339	37,603
Business	32,676	17,676	13,694	3,982
Operation and Maintenance of Plant	750,567	1,035,485	959,266	76,219
Pupil Transportation	414,692	441,346	347,649	93,697
Central	8,318	8,818	6,525	2,293
<i>Extracurricular Activities</i>				
Sport Oriented Activities	162,406	165,034	156,841	8,193
School and Public Service Co-Curricular Activities	49,100	49,100	32,627	16,473
<i>Debt Service:</i>				
Principal	105,000	125,000	125,000	0
Interest	87,322	87,322	70,386	16,936
<i>Total Disbursements</i>	7,301,008	7,662,644	7,225,358	437,286
<i>Excess of Receipts Over Disbursements</i>	867,751	902,702	1,417,468	514,766
<u>Other Financing Sources:</u>				
Proceeds from the Sale of Capital Assets	470	470	470	0
Transfers In	50,000	0	0	0
<i>Total Other Financing Sources</i>	50,470	470	470	0
<i>Total Receipts and Other Financing Sources Over Disbursements</i>	918,221	903,172	1,417,938	514,766
<i>Fund Balance at Beginning of Year</i>	3,133,816	3,133,816	3,133,816	0
Prior Year Encumbrances Appropriated	25,474	25,474	25,474	0
<i>Fund Balance at End of Year</i>	\$4,077,511	\$4,062,462	\$4,577,228	\$514,766

See accompanying notes to the basic financial statements

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Fund Net Position - Cash Basis

Proprietary Funds

June 30, 2018

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$65,799	\$108,775
<i>Total Assets</i>	<u>65,799</u>	<u>108,775</u>
<u>Cash Liabilities:</u>		
Deficit in Pooled Cash and Cash Equivalents with Fiscal Agent	0	270,277
<i>Total Cash Liabilities</i>	<u>0</u>	<u>270,277</u>
<u>Net Position:</u>		
Unrestricted	65,799	(161,502)
<i>Total Net Position</i>	<u>\$65,799</u>	<u>(\$161,502)</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, 2018*

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
<u>Operating Receipts:</u>		
Charges for Services	\$106,377	\$1,112,297
Other Receipts	<u>2,696</u>	<u>0</u>
<i>Total Operating Receipts</i>	<u>109,073</u>	<u>1,112,297</u>
<u>Operating Disbursements:</u>		
Salaries	133,418	0
Fringe Benefits	71,900	0
Purchased Services	10,190	287,737
Materials and Supplies	116,160	0
Capital Outlay	3,007	0
Claims	<u>0</u>	<u>1,103,003</u>
<i>Total Operating Disbursements</i>	<u>334,675</u>	<u>1,390,740</u>
<i>Operating Income (Loss)</i>	<u>(225,602)</u>	<u>(278,443)</u>
<u>Nonoperating Receipts:</u>		
Federal and State Subsidies	<u>180,874</u>	<u>0</u>
<i>Total Nonoperating Receipts</i>	<u>180,874</u>	<u>0</u>
<i>Change in Net Position</i>	(44,728)	(278,443)
<i>Net Position at Beginning of Year</i>	<u>110,527</u>	<u>116,941</u>
<i>Net Position at End of Year</i>	<u><u>\$65,799</u></u>	<u><u>(\$161,502)</u></u>

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, 2018

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,568</u>
<i>Total Assets</i>	<u><u>14,568</u></u>
<u>Net Position:</u>	
Due to Students	<u>14,568</u>
<i>Total Net Position</i>	<u><u>\$14,568</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, 2018

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 23 classified and 40 teaching personnel and 6 administrative employees providing education to approximately 549 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 Educational Technology Association (META), State Support Team, Region 11 (SSTR11), South Central Ohio Insurance Consortium (SCOIC) and Ohio SchoolComp. 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, 2018

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, 2018

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, 2018

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 2018 (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 2018.

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, 2018

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 2018 amounted to \$80,095, which includes \$12,054 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, 2018, 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, 2018

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

M. Pensions/ Post Employment Benefits

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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, 2018

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 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", GASB Statement No. 81, "Irrevocable Split-Interest Agreements", GASB Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishment Issues." The implementation of GASB Statements Nos. 75, 81, 85 and 86 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, 2018, Title I Grant Fund, non-major special revenue fund, reported a deficit fund balance of \$3,940. 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, 2018

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, 2018:

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

	General
Cash Basis	\$1,733,112
Encumbrances	(302,808)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	(12,366)
Budgetary Basis	\$1,417,938

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, 2018

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.

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".

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS - (Continued)

Deposits: At June 30, 2018, the carrying amounts of all the District deposits were \$5,635,425. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2018, \$5,285,587 of the District's bank balance of \$5,696,708 was exposed to custodial risk as discussed below, while \$411,121 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured;
or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2018, the District's financial institution participated in the Ohio Pooled Collateral System.

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 2018 taxes were collected are:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

	2017 Second - Half Collections		2018 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$137,764,430	86.91%	\$138,995,640	86.34%
Public Utility Personal	20,757,400	13.09%	21,990,610	13.66%
Total Assessed Value	<u>\$158,521,830</u>	<u>100.00%</u>	<u>\$160,986,250</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$38.60		\$38.60	

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, 2018 are available to finance fiscal year 2018 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 \$1,595,941 are credited to the General Fund for fiscal year 2018.

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 2018, 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:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 8 - RISK MANAGEMENT - (Continued)

Building and Contents-replacement cost (\$2,500 deductible)	\$25,969,330
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.

Workers' Compensation

For fiscal year 2018, the District participated in the Ohio SchoolComp, a comprehensive Workers Compensation (WC) insurance purchasing pool program of OSBA and OASBO, (Note 17). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Pool. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Program. 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 Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. CompManagement LLC provides administrative, cost control and actuarial services to the Program.

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 to carry 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 8 - RISK MANAGEMENT - (Continued)

Stop loss limits are established by each district participating within the program. For fiscal year 2018, 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 up to \$200,000 in excess of the individual, predetermined limit established by each district will be covered by the SCOIC internal pool. Amounts in excess of that amount will be covered by commercial carriers.

EBMC 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, 2018, the District's had an estimated \$52,487 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.

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2017	\$135,300	\$758,641	\$783,638	\$110,303
2018	110,303	990,655	1,103,003	(2,045)

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. 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 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.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. Of the 14 percent employer contribution rate 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

The District’s contractually required pension contribution to SERS was \$135,886 for fiscal year 2018.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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. Members are eligible to retire at age 60 with five year of qualifying service or at 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District’s contractually required pension contribution to STRS was \$404,838 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, 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>
Proportionate Share of the Net Pension Liability:		
Current Measurement Date	0.02297320%	0.02180877%
Prior Measurement Date	<u>0.02386470%</u>	<u>0.02345412%</u>
Change in Proportionate Share	<u>-0.00089150%</u>	<u>-0.00164535%</u>
Proportion of the Net Pension Liability	\$1,372,598	\$5,180,720
Pension Expense	(\$125,739)	(\$2,444,060)

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.

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
District's proportionate share of the net pension liability	\$1,904,809	\$1,372,598	\$926,762

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses
Cost-of-Living Adjustments (COLA)	0.00% effective July 1, 2017
Payroll Increases	3.00%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adapted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
 Total	 <u>100.00%</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	\$7,426,386	\$5,180,720	\$3,289,083

Assumption Changes Since Prior Measurement Date – The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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.

The net OPEB liability represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that 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 2018, the District's surcharge obligation was \$12,864.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$4,853 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	0.02299940%	0.02180877%	
Proportionate Share of the Net OPEB Liability	\$617,423	\$850,898	\$1,468,321

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$745,400	\$617,243	\$515,711

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$500,847	\$617,243	\$771,296

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
District's proportionate share of the net OPEB liability	\$1,142,317	\$850,898	\$620,582

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$591,167	\$850,898	\$1,192,733

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from 3.26% to 4.13% based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was intended to January 2020.

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 11 - OTHER EMPLOYEE BENEFITS –(Continued)

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 began to provide 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 2018 were as follows:

Governmental Activities	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2018</u>	<u>Due in One Year</u>
General Obligation Bonds	1995	6.20%	\$940,000	\$0	\$215,000	\$725,000	\$230,000
Refunding Bonds	2016	2.80%	2,580,000	0	125,000	2,455,000	135,000
Total Government Activities			<u>\$3,520,000</u>	<u>\$0</u>	<u>\$340,000</u>	<u>\$3,180,000</u>	<u>\$365,000</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 \$725,000 with an interest rate of 6.20%.

The refunding bond issue in the amount of \$2,580,000 relates to the refunding of 2007 certificates of participation used for school facility renovations. These bonds 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 refunding was undertaken to reduce total future debt service payments by \$136,420 and to obtain an economic gain of \$111,032. The issue has outstanding balance of \$2,455,000 with an interest rate of 2.80%.

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, 2018 are as follows:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2019	\$230,000	\$37,820	\$135,000	\$66,850	\$469,670
2020	240,000	23,250	135,000	63,070	461,320
2021	255,000	7,950	140,000	59,220	462,170
2022	0	0	145,000	55,230	200,230
2023	0	0	150,000	51,100	201,100
2024-2028	0	0	820,000	188,860	1,008,860
2029-2033	0	0	930,000	66,640	996,640
Total	<u>\$725,000</u>	<u>\$69,020</u>	<u>\$2,455,000</u>	<u>\$550,970</u>	<u>\$3,799,990</u>

The District's overall legal debt margin was \$13,763,763 with an unvoted debt margin of \$160,986 at June 30, 2018.

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 2018:

	Capital Improvement
Set Aside Balances Carried Forward as of June 30, 2017	\$56,247
FY 2018 Set Aside Required	100,683
FY 2018 Qualifying Disbursements	<u>116,283</u>
Set Aside Balances Carried Forward to FY 2019	<u>40,647</u>
Set Aside Reserve Balances at June 30, 2018	<u>40,647</u>
Total Restricted Assets	<u><u>\$40,647</u></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, 2018

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	\$1,700	\$0	\$0	\$1,700
<i>Restricted:</i>				
Set Asides	40,647	0	0	40,647
Scholarships/Trusts	0	0	38,546	38,546
Athletics	0	0	39,110	39,110
State Grants	0	0	4,487	4,487
Debt Service	0	429,054	0	429,054
Total Restricted	40,647	429,054	82,143	551,844
<i>Committed:</i>				
Termination Benefits	518	0	0	518
<i>Assigned:</i>				
Uniform School Supplies	42,691	0	0	42,691
Public School Support	14,081	0	0	14,081
Student Instruction	1,819	0	0	1,819
Student and Staff Support	300,989	0	0	300,989
Total Assigned	359,580	0	0	359,580
<i>Unassigned</i>	4,536,581	0	(3,940)	4,532,641
Total Fund Balances	<u>\$4,939,026</u>	<u>\$429,054</u>	<u>\$78,203</u>	<u>\$5,446,283</u>

NOTE 15 – ENCUMBRANCE COMMITMENTS

At June 30, 2018, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$302,808
<u>Nonmajor Funds</u>	
Lunchroom	163
Athletics	5,884
Title II-A Grant	753
Total Nonmajor Funds	<u>6,800</u>
Total Encumbrances	<u>\$309,608</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium. META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2018, the District paid META Solutions \$14,379 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

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.

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, 2018.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 18 – CONTINGENCIES - (Continued)

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 a result of the fiscal year 2018 reviews, the District's FTE was unchanged.

NOTE 19 – SUBSEQUENT EVENTS

During November 2018, the Board approved the optional redemption of the outstanding principal amount of the \$2,580,000 Certificates of Participation, Series 2016.

During January 2019, the Board approved the renewal of a bond issue providing for the emergency requirements of the school district, in the sum of \$1,000,000, to be placed on the ballot for the May 07, 2019 election.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

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, 2017. 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, 2017 is \$3,937,317. This balance was comprised of a \$563,287 balance in net position amounts restricted for specific purposes, and \$3,374,030 in unrestricted net position.

In total, net position of governmental activities increased by \$1,805,230, which represents a 89.30 percent increase from 2016. Net position of the business-type activities increased \$2,233 which represents a 2.06 percent increase from 2016.

General receipts accounted for \$7,798,633 or 86.28 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 \$1,240,212 or 13.72 percent of total receipts of \$9,038,845 for the governmental activities.

The District had \$7,233,615 in disbursements related to governmental activities; only \$1,240,212 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 \$7,798,633 were used to provide for the remainder of these programs.

The District had \$295,005 in disbursements related to business-type activities; \$295,113 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 \$8,371,280 in receipts and \$6,671,061 in disbursements in fiscal year 2017.

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, 2017
(Unaudited)*

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, 2017
(Unaudited)

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, 2017
(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 2017 compared to fiscal year 2016:

Table 1

Net Position at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Assets:</u>						
Cash and Cash Equivalents	\$3,826,790	\$2,021,560	\$110,527	\$108,294	\$3,937,317	\$2,129,854
<i>Total Assets</i>	<u>3,826,790</u>	<u>2,021,560</u>	<u>110,527</u>	<u>108,294</u>	<u>3,937,317</u>	<u>2,129,854</u>
<u>Net Position:</u>						
Restricted	563,287	598,858	0	0	563,287	598,858
Unrestricted	<u>3,263,503</u>	<u>1,422,702</u>	<u>110,527</u>	<u>108,294</u>	<u>3,374,030</u>	<u>1,530,996</u>
<i>Total Net Position</i>	<u>\$3,826,790</u>	<u>\$2,021,560</u>	<u>\$110,527</u>	<u>\$108,294</u>	<u>\$3,937,317</u>	<u>\$2,129,854</u>

Total Cash and Cash Equivalents increased \$1,807,463 from fiscal year 2016 due primarily to new property taxes received from the 2015 levy that was 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 \$563,287 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, 2017
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2017 and provides a comparison to fiscal year 2016.

Table 2

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<i>Receipts:</i>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$585,047	\$500,863	\$104,015	\$108,836	\$689,062	\$609,699
Operating Grants and Contributions	655,165	597,516	191,098	185,051	846,263	782,567
<i>General Receipts:</i>						
Property Taxes	4,546,001	3,914,427	0	0	4,546,001	3,914,427
Income Taxes	1,496,934	1,441,326	0	0	1,496,934	1,441,326
Unrestricted Grants and Entitlements	1,566,141	1,497,491	0	0	1,566,141	1,497,491
Investments Earnings	28,900	7,756	0	0	28,900	7,756
Proceeds from the Sale of Capital Assets	845	0	0	0	845	0
Miscellaneous	159,812	108,300	2,125	2,809	161,937	111,109
<i>Total Receipts</i>	9,038,845	8,067,679	297,238	296,696	9,336,083	8,364,375

(Continued)

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<i>Disbursements:</i>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,070,894	3,004,485	0	0	3,070,894	3,004,485
Special	1,106,354	1,164,241	0	0	1,106,354	1,164,241
Vocational	0	9,230	0	0	0	9,230
<i>Support Services:</i>						
Pupils	303,916	245,224	0	0	303,916	245,224
Instructional Staff	37,439	85,705	0	0	37,439	85,705
Board of Education	104,197	91,888	0	0	104,197	91,888
Administration	449,856	423,681	0	0	449,856	423,681
Fiscal	443,041	463,937	0	0	443,041	463,937
Business	10,572	1,192	0	0	10,572	1,192
Operation and Maintenance of Plant	634,708	508,303	0	0	634,708	508,303
Pupil Transportation	383,890	356,590	0	0	383,890	356,590
Central	9,353	9,851	0	0	9,353	9,851
Operation of Non-Instructional Services	5,480	180	0	0	5,480	180
Extracurricular Activities	211,958	223,047	0	0	211,958	223,047
Principal Retirement	310,000	290,000	0	0	310,000	290,000
Interest and Fiscal Charges	151,957	187,048	0	0	151,957	187,048
Food Service	0	0	295,005	302,317	295,005	302,317
<i>Total Disbursements</i>	7,233,615	7,064,602	295,005	302,317	7,528,620	7,366,919
<i>Changes in Net Position</i>	1,805,230	1,003,077	2,233	(5,621)	1,807,463	997,456
<i>Net Position at Beginning of Year</i>	2,021,560	1,018,483	108,294	113,915	2,129,854	1,132,398
<i>Net Position at End of Year</i>	\$3,826,790	\$2,021,560	\$110,527	\$108,294	\$3,937,317	\$2,129,854

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

(Unaudited)

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration, and Fiscal. These programs account for 78.87 percent of the total governmental activities. Regular Instruction, which accounts for 42.45 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 15.29 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 8.78 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.22 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 6.13 percent of the total, represents costs associated with the Treasurer's office and the fiscal operations of the District.

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 84.18 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities increased \$1,805,230 or 89.30 percent. This is an increase from last year when net position increased \$1,003,077 or 98.49 percent. Governmental activities receipts increased \$971,166 or 12.04 percent over last year and disbursements increased \$169,013 or 2.39 percent from last year.

The District had program receipt increases for governmental activities of \$141,833 and an increase in general receipts of \$829,333. The increase in program receipts is mostly due to an increase in operating grants and contributions. The increase in general receipts is primarily due to the increase in property taxes due to the additional tax levy approved in August 2015.

The total disbursements for governmental activities increased \$169,013 due primarily to an increase of \$126,405 in operation and maintenance of plant disbursements.

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 increased \$2,233 or 2.06 percent. This is an increase from last year when net position decreased \$5,621 or 4.93 percent. Business-type activities receipts increased only \$542 or 0.18 percent from last year and disbursements decreased \$7,312 or 2.42 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 50.29 percent, income taxes made up 16.56 percent and intergovernmental receipts made up 24.58 percent of the total receipts for the governmental activities in fiscal year 2017.

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, 2017
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2017, the District received \$1,496,934, 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 2017, the District received \$1,401,452 through the State's foundation program, which represents 15.50 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 57.75 percent of governmental activities program disbursements. Support services expenses make up 32.94 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 \$295,113 and disbursements total \$295,005 for fiscal year 2017. 35.25 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 2017 and comparison to fiscal year 2016. 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 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$4,177,248	\$3,206,565	\$4,177,956	\$3,296,270
Support Services	2,382,452	2,218,527	2,186,551	2,027,795
Extracurricular Activities	211,958	106,354	223,047	165,110
Principal Retirement	310,000	310,000	290,000	290,000
Interest and Fiscal Charges	151,957	151,957	187,048	187,048
<i>Business-Type Activities:</i>				
Food Service	295,005	(108)	302,317	8,430
Total Disbursements	<u>\$7,528,620</u>	<u>\$5,993,295</u>	<u>\$7,366,919</u>	<u>\$5,974,653</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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 and other financing sources of \$9,038,845 and disbursements of \$7,273,699.

Total governmental funds fund balance increased by \$1,765,146. The increase in fund balance for the year was most significant in the General Fund with an increase of \$1,701,064, which occurred as a result of additional tax receipts from the 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 \$8,304,951, representing an increase of \$647,197 from the original budget estimates of \$7,657,754. For the General Fund, the final budgeted disbursements were \$6,855,663, representing a decrease of \$480,477 from the original budget estimates of \$7,336,140. The final budget reflected a 3.51 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, 2017, the District had \$3,325,000 in general obligation debt outstanding with \$320,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2017 compared to fiscal year 2016.

Table 4

Outstanding Debt, Governmental Activities at Year End

Purpose	2017	2016
1995 School Improvement Bonds	\$940,000	\$1,145,000
Certificates of Participation Project	2,385,000	2,490,000
Total	<u>\$3,325,000</u>	<u>\$3,635,000</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, 2017
(Unaudited)*

Economic Factors

Although considered a mid-wealth district, 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 2018-2019, our District will experience a change in the current funding method. During this two-year budget, funding levels are based on enrollment for 2015 and 2016. With the Fiscal Caution designation for 2015 and, as a result, a reduction in staffing, the enrollment dropped from 590 in 2015 to 571 in 2016. Due to the reduction in students for 2016, the District is now on the minimum funding guarantee (capped) for 2018-2019. The District was released from fiscal caution on January 11, 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, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,799,513	\$110,527	3,910,040
Cash and Cash Equivalents With Fiscal Agents	<u>27,277</u>	<u>0</u>	<u>27,277</u>
<i>Total Assets</i>	<u>3,826,790</u>	<u>110,527</u>	<u>3,937,317</u>
<u>Net Position:</u>			
<i>Restricted for:</i>			
Debt Service	419,415	0	419,415
Other Purposes	87,625	0	87,625
Set Asides	56,247	0	56,247
Unrestricted	<u>3,263,503</u>	<u>110,527</u>	<u>3,374,030</u>
<i>Total Net Position</i>	<u><u>\$3,826,790</u></u>	<u><u>\$110,527</u></u>	<u><u>\$3,937,317</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	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
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$3,070,894	\$528,734	\$19,549	(\$2,522,611)	\$0	(\$2,522,611)
Special	1,106,354	0	418,608	(687,746)	0	(687,746)
Vocational	0	0	3,791	3,791	0	3,791
<i>Support Services:</i>						
Pupils	303,916	0	0	(303,916)	0	(303,916)
Instructional Staff	37,439	0	1,576	(35,863)	0	(35,863)
Board of Education	104,197	0	0	(104,197)	0	(104,197)
Administration	449,856	1,322	3,750	(444,784)	0	(444,784)
Fiscal	443,041	0	0	(443,041)	0	(443,041)
Business	10,572	0	0	(10,572)	0	(10,572)
Operation and Maintenance of Plant	634,708	0	0	(634,708)	0	(634,708)
Pupil Transportation	383,890	0	148,198	(235,692)	0	(235,692)
Central	9,353	0	3,600	(5,753)	0	(5,753)
Operation of Non-Instructional Services	5,480	0	5,480	0	0	0
Extracurricular Activities	211,958	54,991	50,613	(106,354)	0	(106,354)
<i>Debt Service:</i>						
Principal Retirement	310,000	0	0	(310,000)	0	(310,000)
Interest and Fiscal Charges	151,957	0	0	(151,957)	0	(151,957)
<i>Total Governmental Activities</i>	<u>7,233,615</u>	<u>585,047</u>	<u>655,165</u>	<u>(5,993,403)</u>	<u>0</u>	<u>(5,993,403)</u>
<u>Business-Type Activities:</u>						
Food Service	295,005	104,015	191,098	0	108	108
<i>Total Business-Type Activities</i>	<u>295,005</u>	<u>104,015</u>	<u>191,098</u>	<u>0</u>	<u>108</u>	<u>108</u>
<i>Totals</i>	<u>\$7,528,620</u>	<u>\$689,062</u>	<u>\$846,263</u>	<u>(5,993,403)</u>	<u>108</u>	<u>(5,993,295)</u>
<u>General Receipts:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				4,288,847	0	4,288,847
Debt Service				257,154	0	257,154
<i>Income Taxes Levied for:</i>						
General Purposes				1,496,934		1,496,934
Grants and Entitlements not Restricted to Specific Programs				1,566,141	0	1,566,141
Investment Earnings				28,900	0	28,900
Miscellaneous				159,812	2,125	161,937
Proceeds from the Sale of Capital Assets				845	0	845
<i>Total General Receipts</i>				<u>7,798,633</u>	<u>2,125</u>	<u>7,800,758</u>
Change in Net Position				1,805,230	2,233	1,807,463
<i>Net Position at Beginning of Year</i>				<u>2,021,560</u>	<u>108,294</u>	<u>2,129,854</u>
<i>Net Position at End of Year</i>				<u>\$3,826,790</u>	<u>\$110,527</u>	<u>\$3,937,317</u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,149,667	\$419,415	\$84,520	\$3,653,602
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	<u>56,247</u>	<u>0</u>	<u>0</u>	<u>56,247</u>
<i>Total Assets</i>	<u>\$3,205,914</u>	<u>\$419,415</u>	<u>\$84,520</u>	<u>\$3,709,849</u>
<u>Fund Balances:</u>				
Nonspendable	\$1,700	\$0	\$0	\$1,700
Restricted	56,247	419,415	87,227	562,889
Committed	518	0	0	518
Assigned	69,881	0	0	69,881
Unassigned	<u>3,077,568</u>	<u>0</u>	<u>(2,707)</u>	<u>3,074,861</u>
<i>Total Fund Balances</i>	<u>\$3,205,914</u>	<u>\$419,415</u>	<u>\$84,520</u>	<u>\$3,709,849</u>

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, 2017*

Total Governmental Fund Cash Balances \$3,709,849

*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.

116,941

Net Cash Position of Governmental Activities

\$3,826,790

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, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,288,847	\$257,154	\$0	\$4,546,001
Income Taxes	1,496,934	0	0	1,496,934
Intergovernmental	1,869,966	32,789	267,455	2,170,210
Interest	28,900	0	0	28,900
Tuition and Fees	528,734	0	0	528,734
Extracurricular Activities	15,427	0	40,886	56,313
Gifts and Donations	483	0	50,613	51,096
Miscellaneous	141,989	0	17,823	159,812
<i>Total Receipts</i>	<u>8,371,280</u>	<u>289,943</u>	<u>376,777</u>	<u>9,038,000</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,065,232	0	27,799	3,093,031
Special	880,141	0	230,564	1,110,705
<i>Support Services:</i>				
Pupils	305,694	0	0	305,694
Instructional Staff	35,100	0	2,622	37,722
Board of Education	104,317	0	0	104,317
Administration	450,512	0	3,267	453,779
Fiscal	440,199	4,720	0	444,919
Business	10,572	0	0	10,572
Operation and Maintenance of Plant	632,624	0	4,500	637,124
Pupil Transportation	385,273	0	0	385,273
Central	5,633	0	3,720	9,353
Operation of Non-Instructional Services	0	0	5,480	5,480
Extracurricular Activities	163,442	0	50,331	213,773
<i>Debt Service:</i>				
Principal Retirement	105,000	205,000	0	310,000
Interest and Other Fiscal Charges	87,322	64,635	0	151,957
<i>Total Disbursements</i>	<u>6,671,061</u>	<u>274,355</u>	<u>328,283</u>	<u>7,273,699</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,700,219	15,588	48,494	1,764,301
<u>Other Financing Sources:</u>				
Proceeds from the Sale of Capital Assets	845	0	0	845
<i>Total Other Financing Sources</i>	<u>845</u>	<u>0</u>	<u>0</u>	<u>845</u>
<i>Net Change in Fund Balances</i>	1,701,064	15,588	48,494	1,765,146
<i>Fund Balances at Beginning of Year</i>	<u>1,504,850</u>	<u>403,827</u>	<u>36,026</u>	<u>1,944,703</u>
<i>Fund Balances at End of Year</i>	<u><u>\$3,205,914</u></u>	<u><u>\$419,415</u></u>	<u><u>\$84,520</u></u>	<u><u>\$3,709,849</u></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, 2017*

Net Change in Fund Cash Balances - Total Governmental Funds \$1,765,146

*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.

40,084

Change in Net Cash Position of Governmental Activities

\$1,805,230

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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,115,067	\$4,337,519	\$4,288,847	(\$48,672)
Income Taxes	1,356,778	1,496,934	1,496,934	0
Intergovernmental	1,689,707	1,865,856	1,869,966	4,110
Interest	282,083	15,000	28,900	13,900
Tuition and Fees	583,282	490,817	518,092	27,275
Extracurricular Activities	294,533	18,750	14,105	(4,645)
Miscellaneous	336,304	80,075	135,109	55,034
<i>Total Receipts</i>	7,657,754	8,304,951	8,351,953	47,002
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,208,915	3,049,312	3,060,714	(11,402)
Special	1,048,700	898,629	880,141	18,488
<i>Support Services:</i>				
Pupils	250,564	291,536	311,522	(19,986)
Instructional Staff	42,667	52,405	35,100	17,305
Board of Education	123,185	122,389	105,487	16,902
Administration	441,634	453,564	443,068	10,496
Fiscal	463,269	470,969	440,199	30,770
Business	1,192	13,847	10,572	3,275
Operation and Maintenance of Plant	650,175	683,072	633,624	49,448
Pupil Transportation	427,653	410,911	386,148	24,763
Central	7,824	7,824	5,633	2,191
Extracurricular Activities				
Sport Oriented Activities	140,799	141,277	136,335	4,942
School and Public Service Co-Curricular Activities	48,858	48,858	43,232	5,626
<i>Debt Service:</i>				
Principal	310,000	105,000	105,000	0
Interest	170,705	106,070	87,322	18,748
<i>Total Disbursements</i>	7,336,140	6,855,663	6,684,097	171,566
<i>Excess of Receipts Over (Under) Disbursements</i>	321,614	1,449,288	1,667,856	218,568
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	0	900	845	(55)
Transfers In	0	50,000	0	(50,000)
Transfers Out	(65,000)	(65,000)	0	65,000
<i>Total Other Financing Sources (Uses)</i>	(65,000)	(14,100)	845	14,945
<i>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	256,614	1,435,188	1,668,701	233,513
<i>Fund Balance at Beginning of Year</i>	1,406,459	1,406,459	1,406,459	0
<i>Prior Year Encumbrances Appropriated</i>	58,656	58,656	58,656	0
<i>Fund Balance at End of Year</i>	\$1,721,729	\$2,900,303	\$3,133,816	\$233,513

See accompanying notes to the basic financial statements

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Fund Net Position - Cash Basis

Proprietary Funds

June 30, 2017

		<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service</u>
<u>Assets:</u>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$110,527	\$89,664
Cash and Cash Equivalents with Fiscal Agents	<u>0</u>	<u>27,277</u>
<i>Total Assets</i>	<u>110,527</u>	<u>116,941</u>
<u>Net Position:</u>		
Unrestricted	<u>110,527</u>	<u>116,941</u>
<i>Total Net Position</i>	<u><u>\$110,527</u></u>	<u><u>\$116,941</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, 2017*

	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
<u>Operating Receipts:</u>		
Charges for Services	\$104,015	\$1,047,982
Other Receipts	2,125	0
<i>Total Operating Receipts</i>	<u>106,140</u>	<u>1,047,982</u>
<u>Operating Disbursements:</u>		
Salaries	111,743	0
Fringe Benefits	61,231	0
Purchased Services	541	224,260
Materials and Supplies	120,962	0
Capital Outlay	528	0
Claims	0	783,638
<i>Total Operating Disbursements</i>	<u>295,005</u>	<u>1,007,898</u>
<i>Operating Income (Loss)</i>	<u>(188,865)</u>	<u>40,084</u>
<u>Nonoperating Receipts:</u>		
Federal and State Subsidies	191,098	0
<i>Total Nonoperating Receipts</i>	<u>191,098</u>	<u>0</u>
<i>Change in Net Position</i>	2,233	40,084
<i>Net Position at Beginning of Year</i>	<u>108,294</u>	<u>76,857</u>
<i>Net Position at End of Year</i>	<u><u>\$110,527</u></u>	<u><u>\$116,941</u></u>

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, 2017

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,392</u>
<i>Total Assets</i>	<u><u>15,392</u></u>
<u>Net Position:</u>	
Due to Students	<u>15,392</u>
<i>Total Net Position</i>	<u><u>\$15,392</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, 2017

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 23 classified and 39 teaching personnel and 6 administrative employees providing education to approximately 571 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 Educational Technology Association (META), State Support Team, Region 11 (SSTR11), South Central Ohio Insurance Consortium (SCOIC) and Ohio SchoolComp. 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, 2017

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, 2017

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, 2017

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 2017 (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 2017.

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, 2017

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 2017 amounted to \$28,900, which includes \$7,115 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, 2017, 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, 2017

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, 2017

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 2017, the District implemented GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units", and GASB Statement No. 82, "Pension Issues." The implementation of GASB Statements Nos. 74, 77, 78, 80 and 82 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, 2017, Data Communications and Title I Grant Funds, non-major special revenue funds, reported a deficit fund balance of \$120 and \$2,587, respectively. 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

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, 2017:

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

	General
Cash Basis	\$1,701,064
Encumbrances	(25,474)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	(6,889)
Budgetary Basis	\$1,668,701

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 -DEPOSITS - (Continued)

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.

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS - (Continued)

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

The following information classifies 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, 2017, the carrying amounts of all the District deposits were \$3,952,683, which includes \$27,277 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2017, \$3,579,231 of the District's bank balance of \$3,989,792 was exposed to custodial risk as discussed below, while \$410,561 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 2017 taxes were collected are:

	2016 Second - Half Collections		2017 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$132,505,910	86.06%	\$137,764,430	86.91%
Public Utility Personal	21,465,870	13.94%	20,757,400	13.09%
Total Assessed Value	<u>\$153,971,780</u>	<u>100.00%</u>	<u>\$158,521,830</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation		\$38.60		\$38.60

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2017 are available to finance fiscal year 2017 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 \$1,496,934 are credited to the General Fund for fiscal year 2017.

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 2017, 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)	\$25,969,330
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, 2017

NOTE 8 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2017, the District participated in the Ohio SchoolComp, a comprehensive Workers Compensation (WC) insurance purchasing pool program of OSBA and OASBO, (Note 17). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Pool. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Program. 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 Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. CompManagement LLC provides administrative, cost control and actuarial services to the Program.

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 to carry 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 2017, 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 up to \$200,000 in excess of the individual, predetermined limit established by each district will be covered by the SCOIC internal pool. Amounts in excess of that amount will be covered by commercial carriers.

EBMC 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, 2017, the District's had an estimated \$110,303 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.

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2016	\$0	\$691,478	\$556,178	\$135,300
2017	135,300	758,641	783,638	110,303

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 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, 2017

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, 2017, 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 2017.

The District's contractually required pension contribution to SERS was \$144,380 for fiscal year 2017.

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.

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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required pension contribution to STRS was \$307,828 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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	\$1,746,676	\$7,850,801	\$9,597,477
Proportion of the Net Pension Liability	0.02386470%	0.02345412%	

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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:

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$2,312,490	\$1,746,676	\$1,273,066

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's Net Pension Liability is expected to be significant.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$10,433,077	\$7,850,801	\$5,672,499

Changes between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

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 a postemployment benefit plan.

Health Care Plan - Sections 3309.375 and 3309.69 of the Ohio Revised Code 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$10,566 and \$27,028, 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

School Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit 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 partial 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. Nearly 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.

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. For fiscal years 2015-2017, STRS Ohio did not allocate any employer contributions to fund postemployment health care.

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 began to provide health, drug, and vision insurance through a self-insured program with the South Central Ohio Insurance Consortium. See Note 8 for more information.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the governmental activities long-term obligations of the District during fiscal year 2017 were as follows:

Governmental Activities	Issue Date	Interest Rate	Principal Outstanding July 1, 2016	Additions	Deletions	Principal Outstanding June 30, 2017	Due in One Year
General Obligation Bonds	1995	6.20%	\$1,145,000	\$0	\$205,000	\$940,000	\$215,000
Certificates of Participation	2007	4.52%	2,490,000	0	2,490,000	0	0
Refunding Bonds	2016	2.80%	0	2,580,000	0	2,580,000	125,000
Total Government Activities			\$3,635,000	2,580,000	\$2,695,000	\$3,520,000	\$340,000

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 \$940,000 with an interest rate of 6.20%.

The refunding bond issue in the amount of \$2,580,000 relates to the refunding of 2007 certificates of participation used for school facility renovations. These bonds 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 refunding was undertaken to reduce total future debt service payments by \$136,420 and to obtain an economic gain of \$111,032. The issue has an outstanding balance of \$2,580,000 with an interest rate of 2.80%.

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, 2017 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2018	\$215,000	\$51,615	\$125,000	\$70,490	\$462,105
2019	230,000	37,820	135,000	66,850	469,670
2020	240,000	23,250	135,000	63,070	461,320
2021	255,000	7,950	140,000	59,220	462,170
2022	0	0	145,000	55,230	200,230
2023-2027	0	0	795,000	211,470	1,006,470
2028-2032	0	0	910,000	92,400	1,002,400
2033	0	0	195,000	2,730	197,730
Total	\$940,000	\$120,635	\$2,580,000	\$621,460	\$4,262,095

The District's overall legal debt margin was \$13,326,965 with an unvoted debt margin of \$158,522 at June 30, 2017.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2016	\$152,481
FY 2017 Set Aside Required	97,720
FY 2017 Qualifying Disbursements	<u>193,954</u>
Set Aside Balances Carried Forward to FY 2018	<u>56,247</u>
Set Aside Reserve Balances at June 30, 2017	<u>56,247</u>
Total Restricted Assets	<u><u>\$56,247</u></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, 2017

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	\$1,700	\$0	\$0	\$1,700
<i>Restricted:</i>				
Set Asides	56,247	0	0	56,247
Scholarships/Trusts	0	0	31,452	31,452
Athletics	0	0	55,775	55,775
Debt Service	0	419,415	0	419,415
Total Restricted	56,247	419,415	87,227	562,889
<i>Committed:</i>				
Termination Benefits	518	0	0	518
<i>Assigned:</i>				
Uniform School Supplies	33,679	0	0	33,679
Public School Support	10,728	0	0	10,728
Student Instruction	16,125	0	0	16,125
Student and Staff Support	9,349	0	0	9,349
Total Assigned	69,881	0	0	69,881
<i>Unassigned</i>	3,077,568	0	(2,707)	3,074,861
Total Fund Balances	<u>\$3,205,914</u>	<u>\$419,415</u>	<u>\$84,520</u>	<u>\$3,709,849</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 15 – ENCUMBRANCE COMMITMENTS

At June 30, 2017, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$27,113
<u>Nonmajor Funds</u>	
Athletics	10,240
Title I Grant	<u>627</u>
Total Nonmajor Funds	<u>10,867</u>
Total Encumbrances	<u><u>\$37,980</u></u>

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association

The District is a participant in the Metropolitan Educational Technology Association (META) a computer consortium. META develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2017, the District paid META Solutions \$12,284 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

State Support Team Region 11

State Support Team Region 11 (SSTR11) 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. SSTR11 is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for SSTR11.

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, 2017

NOTE 17- INSURANCE PURCHASING POOL

The District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, or Program, an insurance purchasing pool. The program is governed by the Ohio School Boards Association (OSBA) Executive Committee that consists of seven members as follows: the president of OSBA, Immediate Past President of OSBA and five representatives elected from the participating school districts. 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, 2017.

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 a result of the fiscal year 2017 reviews, the District's FTE was increased, resulting in an adjustment of \$256. The financial statements do not reflect this change.

NOTE 19 - SUBSEQUENT EVENTS

During November 2018, the Board approved the optional redemption of the outstanding principal amount of the \$2,580,000 Certificates of Participation, Series 2016.

During January 2019, the Board approved the renewal of a bond issue providing for the emergency requirements of the school district, in the sum of \$1,000,000, to be placed on the ballot for the May 07, 2019 election.

NOTE 20 - FISCAL CAUTION

On December 28, 2014, the Walnut Township Local School District was placed in fiscal caution by the Ohio Department of Education as a result of a deficit condition evident in the District's October 2014 five year financial forecast. During fiscal year 2015, the District took multiple actions to reduce approximately \$92,000 in operating costs and resubmitted its five year forecast, reflecting these changes. The District planned additional cost reductions of approximately \$721,000 for fiscal year 2016 which included freezes on salaries and step increases. A performance audit was completed in July 2015 to provide additional assistance to management. On January 11, 2017, the District was removed from fiscal caution by the Ohio Department of Education.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District, Fairfield County, (the District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 16, 2019, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

April 16, 2019

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017**

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

Finding 2018-001

Annual Financial Report- Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial report which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to **Ohio Rev. Code § 117.38** the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Official's Response: See Corrective Action Plan.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding 2018-002

Financial Statement Presentation- Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

For fiscal year 2017, adjustments were identified in the amount of \$791,002 and \$1,929,954 to increase original budgeted revenues and expenditures respectively, on the Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund financial statement. These adjustments were applied to the District's financial statements.

For fiscal year 2018, an adjustment in the amount of \$54,532 was identified to increase the shortfall of cash held with fiscal agent maintained by, South Central Ohio Insurance Consortium and recognizing the related claims disbursement. This adjustment was applied to the District's financial statements.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$9 to \$118,573 for the year ended June 30, 2018 that we have brought to the District's attention.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The existence of adjustments indicate controls over financial statement presentation may not be functioning as intended.

We recommend the Treasurer and the Board of Education review the financial statements to help ensure controls function as intended allowing any misstatements to be detected and corrected in future reports.

Official's Response: See Corrective Action Plan

Karen Keller
Carol A. King
Vince Popo
Holly Armstrong
V. Faye Whitaker
Christy Moore, Treasurer/CFO

WALNUT TOWNSHIP SCHOOLS
11850 LANCASTER STREET
MILLERSPORT, OHIO 43046

Randy Cotner, Superintendent
Jeff Stought, High School Principal
Kim Yenni, Elementary Principal

"Given Effective Instruction, All Students Will Learn At Higher Levels"

Superintendent – 740-467-2802 High School – 740-467-2929 Elementary – 740-467-2216

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Annual Financial Report	Not Corrected	Reissued as 2018-001

"An Equal Opportunity Employer"

Karen Keller
Carol A. King
Vince Popo
Holly Armstrong
V. Faye Whitaker
Christy Moore, Treasurer/CFO

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Superintendent – 740-467-2802

High School – 740-467-2929

Elementary – 740-467-2216

CORRECTIVE ACTION PLAN
JUNE 30, 2018 and 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Cannot afford the cost	N/A	Treasurer
2018-002	Will have direct discussion with auditor completing the financial reports.	End of FY19	Treasurer

"An Equal Opportunity Employer"

OHIO AUDITOR OF STATE KEITH FABER



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
MAY 23, 2019**