



OHIO AUDITOR OF STATE  
**KEITH FABER**





**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**JUNE 30, 2020 AND 2019  
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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Walnut Township Local School District  
Fairfield County  
11850 Lancaster Street  
Millersport, OH 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, 2020 and 2019, 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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Efficient • Effective • Transparent

**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 District, as of June 30, 2020 and 2019, and the respective changes in cash financial position 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.

**Emphasis of Matter**

As discussed in Note 19 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

As discussed in Note 3 to the 2020 financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

We did not modify our opinion regarding these matters.

**Other Matters**

*Other Information*

We applied no procedures to management's discussion & analysis as listed in the table of contents. 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 March 24, 2021, 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

March 24, 2021

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)*

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The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020. 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, 2020 is \$4,400,948. This balance was comprised of a \$454,201 balance in net position amounts restricted for specific purposes, and \$3,946,747 in unrestricted net position.

In total, net position of governmental activities decreased by \$431,202, which represents an 8.96 percent decrease from 2019. Net position of the business-type activities increased \$10,889 which represents a 113.57 percent decrease from 2019.

General receipts accounted for \$8,163,863 or 86.01 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 \$1,327,456 or 13.99 percent of total receipts of \$9,491,319 for the governmental activities.

The District had \$9,841,564 in disbursements related to governmental activities; only \$1,327,456 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 \$8,163,863 along with net cash position from the prior year were used to provide for the remainder of these programs.

The District had \$328,406 in disbursements related to business-type activities; \$255,268 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 \$8,864,753 in receipts and \$9,361,417 in disbursements in fiscal year 2020.

**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, 2020  
(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances. These statements include assets using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's receipts and disbursements based on when cash is received or paid.

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

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

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

**Governmental Activities**

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

**Business-Type Activities**

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



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)*

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

**Fund Financial Statements**

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

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

**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, 2020*  
*(Unaudited)*

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**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 2020 compared to fiscal year 2019:

Table 1  
**Net Position at Year End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2020	Restated 2019	2020	2019	2020	Restated 2019
<b><u>Assets:</u></b>						
Cash and Cash Equivalents	\$4,380,471	\$5,001,193	\$20,477	\$9,588	\$4,400,948	\$5,010,781
<i>Total Assets</i>	<u>4,380,471</u>	<u>5,001,193</u>	<u>20,477</u>	<u>9,588</u>	<u>4,400,948</u>	<u>5,010,781</u>
<b><u>Cash Liabilities:</u></b>						
Deficit in Pooled Cash with Fiscal Agent	\$0	\$189,520	\$0	\$0	\$0	\$189,520
<i>Total Assets</i>	<u>0</u>	<u>189,520</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>189,520</u>
<b><u>Net Position:</u></b>						
Restricted	454,201	575,869	0	0	454,201	575,869
Unrestricted	<u>3,926,270</u>	<u>4,235,804</u>	<u>20,477</u>	<u>9,588</u>	<u>3,946,747</u>	<u>4,245,392</u>
<i>Total Net Position</i>	<u>\$4,380,471</u>	<u>\$4,811,673</u>	<u>\$20,477</u>	<u>\$9,588</u>	<u>\$4,400,948</u>	<u>\$4,821,261</u>

Total Cash and Cash Equivalents decreased \$620,722 from fiscal year 2019 due primarily to an increase in disbursements.

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 \$454,201 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, 2020*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2020 and provides a comparison to fiscal year 2019.

Table 2  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2020	Restated 2019	2020	2019	2020	Restated 2019
<b><i>Receipts:</i></b>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$669,311	\$551,949	\$77,724	\$99,226	\$747,035	\$651,175
Operating Grants and Contributions	658,145	547,381	177,544	167,947	835,689	715,328
<i>General Receipts:</i>						
Property Taxes	4,701,004	4,616,024	0	0	4,701,004	4,616,024
Income Taxes	1,762,692	1,651,388	0	0	1,762,692	1,651,388
Unrestricted Grants and Entitlements	1,502,169	1,659,743	0	0	1,502,169	1,659,743
Investments Earnings	83,041	123,412	0	0	83,041	123,412
Proceeds from the Sale of Capital Assets	400	200	0	0	400	200
Miscellaneous	114,557	103,494	3,070	2,110	117,627	105,604
<b>Total Receipts</b>	<b>9,491,319</b>	<b>9,253,591</b>	<b>258,338</b>	<b>269,283</b>	<b>9,749,657</b>	<b>9,522,874</b>

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

Table 2

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>Restated 2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>Restated 2019</u>
<b><i>Disbursements:</i></b>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,543,473	3,413,937	0	0	3,543,473	3,413,937
Special	1,537,551	1,205,936	0	0	1,537,551	1,205,936
<i>Support Services:</i>						
Pupils	423,999	356,407	0	0	423,999	356,407
Instructional Staff	208,527	147,436	0	0	208,527	147,436
Board of Education	181,934	103,065	0	0	181,934	103,065
Administration	702,255	682,475	0	0	702,255	682,475
Fiscal	521,740	487,347	0	0	521,740	487,347
Business	14,008	12,241	0	0	14,008	12,241
Operation and Maintenance of Plant	804,004	977,318	0	0	804,004	977,318
Pupil Transportation	298,391	395,278	0	0	298,391	395,278
Central	19,745	15,947	0	0	19,745	15,947
Extracurricular Activities	269,703	238,612	0	0	269,703	238,612
Principal Retirement	1,290,000	1,635,000	0	0	1,290,000	1,635,000
Interest and Fiscal Charges	26,234	76,788	0	0	26,234	76,788
Food Service	0	0	328,406	325,494	328,406	325,494
<b><i>Total Disbursements</i></b>	<b>9,841,564</b>	<b>9,747,787</b>	<b>328,406</b>	<b>325,494</b>	<b>10,169,970</b>	<b>10,073,281</b>
Net Transfers In/Out	(80,957)	0	80,957	0	0	0
<b><i>Changes in Net Position</i></b>	<b>(431,202)</b>	<b>(494,196)</b>	<b>10,889</b>	<b>(56,211)</b>	<b>(420,313)</b>	<b>(550,407)</b>
<b><i>Net Position at Beginning of Year</i></b>	<b>4,811,673</b>	<b>5,305,869</b>	<b>9,588</b>	<b>65,799</b>	<b>4,821,261</b>	<b>5,371,668</b>
<b><i>Net Position at End of Year</i></b>	<b>\$4,380,471</b>	<b>\$4,811,673</b>	<b>\$20,477</b>	<b>\$9,588</b>	<b>\$4,400,948</b>	<b>\$4,821,261</b>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)*

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The most significant program disbursements for the District are Regular Instruction, Special Instruction Principal Retirement, Operation and Maintenance of Plant and Administration. These programs account for 80.04 percent of the total governmental activities. Regular Instruction, which accounts for 36.01 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 15.62 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Principal Retirement, which accounts for 13.11 percent of total, represents costs associated with debt payments. Operation and Maintenance of Plant, which represents 8.17 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 7.13 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 83.93 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities decreased \$431,202 or 8.96 percent. This is a change from last year when net position decreased \$494,196 or 9.35 percent. Governmental activities receipts increased \$237,728 or 2.57 percent over last year and disbursements increased \$93,777 or 0.96 percent from last year.

The District had program receipt increases for governmental activities of \$228,126 and an increase in general receipts of \$9,602. The increase in program receipts is split between charges for services and sales and operating grants and contributions. The increase in general receipts is primarily due to the increase in income taxes.

The total disbursements for governmental activities increased \$93,777 due primarily to an increase of \$331,615 in special 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 increased \$10,889 or 113.57 percent. This is an increase from last year when net position decreased \$56,211 or 85.43 percent. Business-type activities receipts decreased \$10,945 or 4.06 percent from last year and disbursements increased \$2,912 or 0.89 percent from last year.

**Governmental Activities**

The District has rebounded from financial difficulties realized in past 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 49.53 percent, income taxes made up 18.57 percent and intergovernmental receipts made up 22.76 percent of the total receipts for the governmental activities in fiscal year 2020.

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, 2020  
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2020, the District received \$1,762,692, 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 2020, the District received \$1,260,469 through the State's foundation program, which represents 13.28 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 51.63 percent of governmental activities program disbursements. Support services expenses make up 32.26 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 \$255,268 and disbursements total \$328,406 for fiscal year 2020. 30.45 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 2020 and comparison to fiscal year 2019. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

**Table 3  
Net Cost of Activities**

	<u>Total Cost of Services</u> 2020	<u>Net Cost of Services</u> 2020	<u>Total Cost of Services</u> 2019	<u>Net Cost of Services</u> 2019
<b><u>Program Disbursements:</u></b>				
<i>Governmental Activities:</i>				
Instruction	\$5,081,024	\$4,077,065	\$4,619,873	\$3,704,815
Support Services	3,174,603	2,963,042	3,177,514	3,066,749
Extracurricular Activities	269,703	157,767	238,612	165,105
Principal Retirement	1,288,166	1,288,166	1,635,000	1,635,000
Interest and Fiscal Charges	28,068	28,068	76,788	76,788
<i>Business-Type Activities:</i>				
Food Service	<u>328,406</u>	<u>73,138</u>	<u>325,494</u>	<u>58,321</u>
Total Disbursements	<u>\$10,169,970</u>	<u>\$8,587,246</u>	<u>\$10,073,281</u>	<u>\$8,706,778</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)*

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**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts and other financing sources of \$9,492,466 and disbursements and other financing uses of \$10,195,284.

Total governmental funds fund balance decreased by \$702,818. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$578,368, which occurred as a result of an increase in disbursements exceeding receipts during 2020.

**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 \$8,825,162, representing an increase of \$317,995 from the original budget estimates of \$8,507,167. For the General Fund, the final budgeted disbursements were \$9,678,337, representing an increase of \$747,993 from the original budget estimates of \$8,930,344. The final budget reflected a 8.38 percent increase from the original budgeted amount. The actual budget basis expenditures were \$9,437,189 representing a \$241,148 variance over the final budgeted amount.

**Debt Administration**

At June 30, 2020, the District had \$255,000 in general obligation debt outstanding with \$255,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2020 compared to fiscal year 2019.

Table 4

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

<u>Purpose</u>	<u>2020</u>	<u>2019</u>
1995 School Improvement Bonds	\$255,000	\$495,000
Certificates of Participation Project	0	1,050,000
Total	<u>\$255,000</u>	<u>\$1,545,000</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, 2020  
(Unaudited)*

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**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 2024.

With the passage of the new State Budget for 2019-2020, our District has experienced a change in the current funding method. During this two-year budget, funding levels are based on enrollment for 2017 and 2018. Due to a reduction in students, the District is now on the minimum funding guarantee (capped) for 2020-2021. 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 Jill Bradford, 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, 2020*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,307,791	\$20,477	\$4,328,268
Cash and Cash Equivalents With Fiscal Agents	72,680	0	72,680
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	4,380,471	20,477	4,400,948
	<hr/>	<hr/>	<hr/>
<b><u>Net Position:</u></b>			
<i>Restricted for:</i>			
Debt Service	282,952	0	282,952
Other Purposes	115,666	0	115,666
Set Asides	56,101	0	56,101
Unrestricted	3,925,752	20,477	3,946,229
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	\$4,380,471	\$20,477	\$4,400,948
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2020

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Governmental Activities:</u></b>						
<i>Instruction:</i>						
Regular	\$3,543,473	\$563,782	\$37,775	(\$2,941,916)	\$0	(\$2,941,916)
Special	1,537,551	0	398,671	(1,138,880)	0	(1,138,880)
Vocational	0	0	3,731	3,731	0	3,731
<i>Support Services:</i>						
Pupils	423,999	0	37,702	(386,297)	0	(386,297)
Instructional Staff	208,527	4,480	24,507	(179,540)	0	(179,540)
Board of Education	181,934	0	0	(181,934)	0	(181,934)
Administration	702,255	28	11,701	(690,526)	0	(690,526)
Fiscal	521,740	0	0	(521,740)	0	(521,740)
Business	14,008	0	0	(14,008)	0	(14,008)
Operation and Maintenance of Plant	804,004	0	42,500	(761,504)	0	(761,504)
Pupil Transportation	298,391	0	87,643	(210,748)	0	(210,748)
Central	19,745	0	3,000	(16,745)	0	(16,745)
Extracurricular Activities	269,703	101,021	10,915	(157,767)	0	(157,767)
<i>Debt Service:</i>						
Principal Retirement	1,290,000	0	0	(1,290,000)	0	(1,290,000)
Interest and Fiscal Charges	26,234	0	0	(26,234)	0	(26,234)
<b>Total Governmental Activities</b>	<b>9,841,564</b>	<b>669,311</b>	<b>658,145</b>	<b>(8,514,108)</b>	<b>0</b>	<b>(8,514,108)</b>
<b><u>Business-Type Activities:</u></b>						
Food Service	328,406	77,724	177,544	0	(73,138)	(73,138)
<b>Total Business-Type Activities</b>	<b>328,406</b>	<b>77,724</b>	<b>177,544</b>	<b>0</b>	<b>(73,138)</b>	<b>(73,138)</b>
<b>Totals</b>	<b>\$10,169,970</b>	<b>\$747,035</b>	<b>\$835,689</b>	<b>(8,514,108)</b>	<b>(73,138)</b>	<b>(8,587,246)</b>
<b><u>General Receipts:</u></b>						
<i>Property Taxes Levied for:</i>						
General Purposes				4,593,195	0	4,593,195
Debt Service				107,809	0	107,809
<i>Income Taxes Levied for:</i>						
General Purposes				1,762,692	0	1,762,692
Grants and Entitlements not Restricted to Specific Programs				1,502,169	0	1,502,169
Investment Earnings				83,041	0	83,041
Miscellaneous				114,557	3,070	117,627
Proceeds from the Sale of Capital Assets				400	0	400
<b>Total General Receipts</b>				<b>8,163,863</b>	<b>3,070</b>	<b>8,166,933</b>
Transfers				(80,957)	80,957	0
<b>Total General Receipts and Transfers</b>				<b>8,082,906</b>	<b>84,027</b>	<b>8,166,933</b>
Change in Net Position				(431,202)	10,889	(420,313)
<i>Net Position at Beginning of Year, As Restated (See Note 3)</i>				4,811,673	9,588	4,821,261
<b>Net Position at End of Year</b>				<b>\$4,380,471</b>	<b>\$20,477</b>	<b>\$4,400,948</b>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2020*

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$3,740,695	\$282,952	\$108,365	\$4,132,012
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	<u>56,101</u>	<u>0</u>	<u>0</u>	<u>56,101</u>
<i>Total Assets</i>	<u><u>\$3,796,796</u></u>	<u><u>\$282,952</u></u>	<u><u>\$108,365</u></u>	<u><u>\$4,188,113</u></u>
<b><u>Fund Balances:</u></b>				
Nonspendable	\$1,757	\$0	\$0	\$1,757
Restricted	56,101	282,952	115,148	454,201
Committed	518	0	0	518
Assigned	168,783	0	0	168,783
Unassigned	<u>3,569,637</u>	<u>0</u>	<u>(6,783)</u>	<u>3,562,854</u>
<i>Total Fund Balances</i>	<u><u>\$3,796,796</u></u>	<u><u>\$282,952</u></u>	<u><u>\$108,365</u></u>	<u><u>\$4,188,113</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, 2020*

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**Total Governmental Fund Cash Balances** \$4,188,113

*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.

192,358

*Net Cash Position of Governmental Activities*

\$4,380,471

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, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$4,593,195	\$107,809	\$0	\$4,701,004
Income Taxes	1,762,692	0	0	1,762,692
Intergovernmental	1,751,858	15,255	374,075	2,141,188
Interest	83,041	0	0	83,041
Tuition and Fees	568,262	0	0	568,262
Extracurricular Activities	28	0	101,021	101,049
Gifts and Donations	8,211	0	10,915	19,126
Miscellaneous	97,466	0	17,091	114,557
<i>Total Receipts</i>	<u>8,864,753</u>	<u>123,064</u>	<u>503,102</u>	<u>9,490,919</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,661,409	0	25,040	3,686,449
Special	1,345,771	0	225,024	1,570,795
<i>Support Services:</i>				
Pupils	395,824	0	37,702	433,526
Instructional Staff	187,533	0	24,507	212,040
Board of Education	182,664	0	0	182,664
Administration	730,436	0	3,477	733,913
Fiscal	529,122	6,006	0	535,128
Business	14,008	0	0	14,008
Operation and Maintenance of Plant	779,883	0	42,436	822,319
Pupil Transportation	307,649	0	0	307,649
Central	12,431	0	7,314	19,745
Extracurricular Activities	161,703	0	117,007	278,710
<i>Debt Service:</i>				
Principal Retirement	1,050,000	240,000	0	1,290,000
Interest and Other Fiscal Charges	2,984	23,250	0	26,234
<i>Total Disbursements</i>	<u>9,361,417</u>	<u>269,256</u>	<u>482,507</u>	<u>10,113,180</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(496,664)	(146,192)	20,595	(622,261)
<b><u>Other Financing Sources(Uses):</u></b>				
Proceeds from the Sale of Capital Assets	400	0	0	400
Transfers In	0	0	1,147	1,147
Transfers Out	(82,104)	0	0	(82,104)
<i>Total Other Financing Sources(Uses)</i>	<u>(81,704)</u>	<u>0</u>	<u>1,147</u>	<u>(80,557)</u>
<i>Net Change in Fund Balances</i>	(578,368)	(146,192)	21,742	(702,818)
<i>Fund Balances at Beginning of Year, As Restated (See Note 3)</i>	4,375,164	429,144	86,623	4,890,931
<i>Fund Balances at End of Year</i>	<u>\$3,796,796</u>	<u>\$282,952</u>	<u>\$108,365</u>	<u>\$4,188,113</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, 2020*

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**Net Change in Fund Cash Balances - Total Governmental Funds** (\$702,818)

*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.

271,616

*Change in Net Cash Position of Governmental Activities*

(\$431,202)

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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$4,330,000	\$4,593,195	\$4,593,195	\$0
Income Taxes	1,600,000	1,762,692	1,762,692	0
Intergovernmental	1,893,931	1,765,259	1,751,858	(13,401)
Interest	123,412	83,412	83,041	(371)
Tuition and Fees	494,824	555,604	553,328	(2,276)
Miscellaneous	65,000	65,000	91,825	26,825
<i>Total Receipts</i>	8,507,167	8,825,162	8,835,939	10,777
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,537,052	3,713,577	3,684,472	29,105
Special	1,172,811	1,455,267	1,346,053	109,214
<i>Support Services:</i>				
Pupils	318,113	401,937	395,948	5,989
Instructional Staff	183,117	183,252	181,990	1,262
Board of Education	118,188	147,424	184,469	(37,045)
Administration	680,094	692,260	719,627	(27,367)
Fiscal	509,080	536,602	537,615	(1,013)
Business	13,350	32,350	14,008	18,342
Operation and Maintenance of Plant	868,856	943,892	838,188	105,704
Pupil Transportation	290,661	321,276	307,701	13,575
Central	14,000	14,000	12,431	1,569
<i>Extracurricular Activities</i>				
Sport Oriented Activities	141,486	152,964	132,678	20,286
School and Public Service Co-Curricular Activities	28,718	28,718	29,025	(307)
<i>Debt Service:</i>				
Principal	1,050,000	1,050,000	1,050,000	0
Interest	4,818	4,818	2,984	1,834
<i>Total Disbursements</i>	8,930,344	9,678,337	9,437,189	241,148
<i>Excess of Receipts Over (Under) Disbursements</i>	(423,177)	(853,175)	(601,250)	251,925
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	0	400	400	0
Transfers In	0	91,994	0	(91,994)
Transfers Out	(100,342)	(100,342)	(82,104)	18,238
<i>Total Other Financing Sources(Uses)</i>	(100,342)	(7,948)	(81,704)	(73,756)
<i>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(523,519)	(861,123)	(682,954)	178,169
<i>Fund Balance at Beginning of Year</i>	4,283,104	4,283,104	4,283,104	0
Prior Year Encumbrances Appropriated	25,584	25,584	25,584	0
<i>Fund Balance at End of Year</i>	\$3,785,169	\$3,447,565	\$3,625,734	\$178,169

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Position - Cash Basis*

*Proprietary Funds*

*June 30, 2020*

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		Governmental Activities
	Enterprise Fund	Internal Service
<b><u>Assets:</u></b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$20,477	\$119,678
Cash and Cash Equivalents with Fiscal Agents	0	72,680
	<hr/>	<hr/>
<i>Total Assets</i>	20,477	192,358
	<hr/>	<hr/>
<b><u>Net Position:</u></b>		
Unrestricted	20,477	192,358
	<hr/>	<hr/>
<i>Total Net Position</i>	\$20,477	\$192,358
	<hr/> <hr/>	<hr/> <hr/>

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, 2020*

	Enterprise Fund	Governmental Activities
		Internal Service
<b><u>Operating Receipts:</u></b>		
Charges for Services	\$77,724	\$1,320,664
Other Receipts	3,070	0
	80,794	1,320,664
<b><u>Operating Disbursements:</u></b>		
Salaries	132,201	0
Fringe Benefits	100,633	0
Purchased Services	1,335	319,057
Materials and Supplies	94,047	0
Claims	0	729,991
Other	190	0
	328,406	1,049,048
<i>Operating Income (Loss)</i>	(247,612)	271,616
<b><u>Nonoperating Receipts:</u></b>		
Federal and State Subsidies	177,544	0
	177,544	0
<i>Income (Loss) before Transfers</i>	(70,068)	271,616
Transfers In	80,957	0
<i>Change in Net Position</i>	10,889	271,616
<i>Net Position Beginning of Year</i>	9,588	(79,258)
<i>Net Position at End of Year</i>	\$20,477	\$192,358

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, 2020*

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

**Description of the School District**

Walnut Township Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's facilities staffed by 22 classified and 42 teaching personnel and 6 administrative employees providing education to approximately 491 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, 2020*

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

**A. Basis of Presentation**

The District's basic financial statement consists of government-wide financial statements, including a Statement of Net 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. 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 two categories: governmental and proprietary.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

---

**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.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**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 and proprietary fund financial statements are prepared using the cash basis of accounting.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

**E. Budgetary Process**

All funds 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 2020 (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 2020.

**F. Inventory**

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

**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 2020 amounted to \$83,041, which includes \$10,936 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, 2020, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for capital improvements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

**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 fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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.

**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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

**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.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

For fiscal year 2020, the District implemented GASB Statement No. 84, “*Fiduciary Activities*”, and GASB Statement No. 90, “*Majority Equity Interests*.” The implementation of GASB Statements No. 90 had no effect on the prior period fund balances of the District.

With the implementation of GASB Statement No. 84 the District has determined that its Student Activities Fund should be reclassified from a Fiduciary Fund to a Special Revenue Fund. This reclassification resulted in the following changes to the beginning balance of net position/fund balances:

	<u>Governmental Activities</u>	<u>All Other Governmental Funds</u>
Net Position/Fund Balance at June 30, 2019	\$4,790,585	\$65,535
Fund Reclassification	<u>21,088</u>	<u>21,088</u>
Adjusted Net Position/Fund Balance at June 30, 2019	<u><u>\$4,811,673</u></u>	<u><u>\$86,623</u></u>

**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, 2020, Title I Grant Fund, non-major special revenue fund, reported a deficit fund balance of \$6,783. 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, 2020*

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

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2020:

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

	General
Cash Basis	(\$578,368)
Encumbrances	(106,301)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	1,715
<b>Budgetary Basis</b>	<b>(\$682,954)</b>

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

**NOTE 5 - DEPOSITS**

State law requires the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

State Statute permits interim monies to be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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, 2020*

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

**Deposits:** At June 30, 2020, the carrying amounts of all the District deposits were \$4,400,948. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2020, \$4,009,349 of the District's bank balance of \$4,422,519 was exposed to custodial risk as discussed below, while \$413,170 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, 2020, the District's deposits were covered by pledged securities by Commodore Bank. Deposits held at North Valley Bank were fully covered by FDIC insurance.

**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 2020 taxes were collected are:

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

	2019 Second - Half Collections		2020 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$139,629,290	85.65%	\$164,389,260	86.35%
Public Utility Personal	23,384,550	14.35%	25,979,480	13.65%
Total Assessed Value	<u>\$163,013,840</u>	<u>100.00%</u>	<u>\$190,368,740</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$37.50		\$37.50	

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, 2020 are available to finance fiscal year 2020 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 \$1,762,692 are credited to the General Fund for fiscal year 2020.

**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 2020, 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, 2020*

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

Building and Contents-replacement cost (\$2,500 deductible)	\$28,480,500
Inland Marine Coverage (\$2,500 deductible)	40,154
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	15,000

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 2020, 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, 2020*

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

Stop loss limits are established by each district participating within the program. For fiscal year 2019, 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, 2020, the District had an estimated \$53,374 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>
2019	(\$2,045)	\$971,426	\$887,547	\$81,834
2020	81,834	783,365	729,991	53,374

**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, 2020*

**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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.

An individual whose benefit effective date is before April 1, 2018 is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

**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, 2019, 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 2020.

The District’s contractually required pension contribution to SERS was \$151,920 for fiscal year 2020.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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**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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required pension contribution to STRS was \$399,648 for fiscal year 2020.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2019, 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	0.02855340%	0.02392596%
Prior Measurement Date	<u>0.02923970%</u>	<u>0.02337841%</u>
Change in Proportionate Share	<u>-0.00068630%</u>	<u>0.00054755%</u>
Proportion of the Net Pension Liability	\$1,708,400	\$5,291,082
Pension Expense	\$377,259	\$387,844

**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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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, 2019, 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	2.50 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>	

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

**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	\$2,394,079	\$1,708,400	\$1,133,372

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2019, 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, including inflation
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0.00%
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, 2019, 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, 2020*

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return**
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>	

\* Target weights will be phased in over 24-month period concluding on July 1, 2019.

\* 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, 2019. 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, 2019. 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, 2019.

**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	\$7,732,327	\$5,291,082	\$3,224,443

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

***Net OPEB Liability***

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](http://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, 2020*

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**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 2020, no allocation 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 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$15,041.

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 \$15,041 for fiscal year 2020.

**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 was discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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, 2020, 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, 2019, 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, 2020*

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

	<u>SERS</u>	<u>STRS</u>
Proportionate Share of the Net Pension Liability:		
Current Measurement Date	0.02856600%	0.02392596%
Prior Measurement Date	<u>0.02902900%</u>	<u>0.02337841%</u>
Change in Proportionate Share	<u>-0.00046300%</u>	<u>0.00054755%</u>
Proportion of the Net Pension (Asset)/Liability	\$718,375	(\$396,271)
Pension Expense	\$44,375	(\$167,913)

**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, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	5.25 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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.

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	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.70 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 with no additional 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, 2029. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (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, 2020*

**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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
District's proportionate share of the net OPEB liability	\$871,971	\$718,375	\$596,248

  

	1% Decrease <u>(6.00 % decreasing to 3.75 %)</u>	Current Trend Rate <u>(7.00 % decreasing to 4.75 %)</u>	1% Increase <u>(8.00 % decreasing to 5.75 %)</u>
District's proportionate share of the net OPEB liability	\$575,564	\$718,375	\$907,851

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

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	
Discount Rate of Return	7.45 percent	
Payroll Increases	3 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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.

Actuarial assumptions used in the June 30, 2019, 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>	

\* Target weights will be phased in over 24-month period concluding on July 1, 2019.

\*\* 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 manager

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. 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 available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**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, 2019, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net OPEB asset	\$338,139	\$396,271	\$445,147

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$449,353	\$396,271	\$331,259

**Benefit Term Changes Since the Prior Measurement Date** - There were no change to the claims costs process. Claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentage were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**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, 2020*

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the governmental activities long-term obligations of the District during fiscal year 2020 were as follows:

<b>Governmental Activities</b>	<b>Issue Date</b>	<b>Interest Rate</b>	<b>Principal Outstanding July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding June 30, 2020</b>	<b>Due in One Year</b>
General Obligation Bonds	1995	6.20%	\$495,000	\$0	\$240,000	\$255,000	\$255,000
Refunding Bonds	2016	2.80%	1,050,000	0	1,050,000	0	0
Total Government Activities			<u>\$1,545,000</u>	<u>\$0</u>	<u>\$1,290,000</u>	<u>\$255,000</u>	<u>\$255,000</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 \$255,000 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.

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, 2020 are as follows:

<b>Fiscal Year June 30</b>	<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2021	<u>\$255,000</u>	<u>\$7,950</u>
Total	<u>\$255,000</u>	<u>\$7,950</u>

The District's overall legal debt margin was \$16,878,187 with an unvoted debt margin of \$190,369 at June 30, 2020.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

**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 2020:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2019	\$30,076
FY 2020 Set Aside Required	91,994
FY 2020 Qualifying Disbursements	<u>65,969</u>
Set Aside Balances Carried Forward to FY 2021	<u>56,101</u>
Set Aside Reserve Balances at June 30, 2020	<u>56,101</u>
Total Restricted Assets	<u><u>\$56,101</u></u>

**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	\$1,757	\$0	\$0	\$1,757
<i>Restricted:</i>				
Set Asides	56,101	0	0	56,101
Scholarships/Trusts	0	0	40,821	40,821
Student Activities	0	0	24,339	24,339
Athletics	0	0	48,273	48,273
State Grants	0	0	1,715	1,715
Debt Service	<u>0</u>	<u>282,952</u>	<u>0</u>	<u>282,952</u>
Total Restricted	56,101	282,952	115,148	454,201
<i>Committed:</i>				
Termination Benefits	518	0	0	518
<i>Assigned:</i>				
Uniform School Supplies	46,944	0	0	46,944
Public School Support	15,538	0	0	15,538
Student Instruction	36,360	0	0	36,360
Student and Staff Support	<u>69,941</u>	<u>0</u>	<u>0</u>	<u>69,941</u>
Total Assigned	168,783	0	0	168,783
<i>Unassigned</i>	<u>3,569,637</u>	<u>0</u>	<u>(6,783)</u>	<u>3,562,854</u>
Total Fund Balances	<u><u>\$3,796,796</u></u>	<u><u>\$282,952</u></u>	<u><u>\$108,365</u></u>	<u><u>\$4,188,113</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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**NOTE 15 – ENCUMBRANCE COMMITMENTS**

At June 30, 2020, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$106,301
<u>Nonmajor Funds</u>	
Lunchroom	160
Student Activities	1,016
Athletics	5,000
Title VI-B	1,024
Title II-A Grant	3,007
Title I Grant	62
Improving Teacher Quality	246
Total Nonmajor Funds	<u>10,515</u>
Total Encumbrances	<u>\$116,816</u>

**NOTE 16- JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Technology Association (META) Solutions**

The District is a participant in META Solutions. 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 2020, the District paid META Solutions \$37,573 for services. Financial information can be obtained from Ashley Widby, 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, 2020*

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**NOTE 17- INSURANCE PURCHASING POOL**

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

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

**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 2020 reviews, the District's FTE was unchanged.

**NOTE 19 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)*

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The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2019. 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, 2019 is \$4,800,173. This balance was comprised of a \$554,781 balance in net position amounts restricted for specific purposes, and \$4,245,392 in unrestricted net position.

In total, net position of governmental activities decreased by \$494,196, which represents a 9.35 percent decrease from 2018. Net position of the business-type activities decreased \$56,211 which represents a 85.43 percent decrease from 2018.

General receipts accounted for \$8,154,261 or 88.12 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 \$1,099,330 or 11.88 percent of total receipts of \$9,253,591 for the governmental activities.

The District had \$9,747,787 in disbursements related to governmental activities; only \$1,099,330 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 \$8,154,261 along with net cash position from the prior year were used to provide for the remainder of these programs.

The District had \$325,494 in disbursements related to business-type activities; \$267,173 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 \$8,638,902 in receipts and \$9,202,964 in disbursements in fiscal year 2019.

**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, 2019  
(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances. These statements include assets using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's receipts and disbursements based on when cash is received or paid.

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

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

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

**Governmental Activities**

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

**Business-Type Activities**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)*

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

**Fund Financial Statements**

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

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

**Governmental Funds**

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Notes to the Basic Financial Statements**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(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 2019 compared to fiscal year 2018:

Table 1

**Net Position at Year End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>Assets:</u></b>						
Cash and Cash Equivalents	<u>\$4,980,105</u>	<u>\$5,555,058</u>	<u>\$9,588</u>	<u>\$65,799</u>	<u>\$4,989,693</u>	<u>\$5,620,857</u>
<i>Total Assets</i>	<u>4,980,105</u>	<u>5,555,058</u>	<u>9,588</u>	<u>65,799</u>	<u>4,989,693</u>	<u>5,620,857</u>
<b><u>Cash Liabilities:</u></b>						
Deficit in Pooled Cash with Fiscal Agent	<u>\$189,520</u>	<u>\$270,277</u>	<u>\$0</u>	<u>\$0</u>	<u>\$189,520</u>	<u>\$270,277</u>
<i>Total Assets</i>	<u>189,520</u>	<u>270,277</u>	<u>0</u>	<u>0</u>	<u>189,520</u>	<u>270,277</u>
<b><u>Net Position:</u></b>						
Restricted	<u>554,781</u>	<u>552,362</u>	<u>0</u>	<u>0</u>	<u>554,781</u>	<u>552,362</u>
Unrestricted	<u>4,235,804</u>	<u>4,732,419</u>	<u>9,588</u>	<u>65,799</u>	<u>4,245,392</u>	<u>4,798,218</u>
<i>Total Net Position</i>	<u>\$4,790,585</u>	<u>\$5,284,781</u>	<u>\$9,588</u>	<u>\$65,799</u>	<u>\$4,800,173</u>	<u>\$5,350,580</u>

Total Cash and Cash Equivalents decreased \$631,164 from fiscal year 2018 due primarily to an increase in disbursements.

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 \$554,781 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, 2019*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2019 and provides a comparison to fiscal year 2018.

Table 2  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>Receipts:</u></b>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$551,949	\$653,327	\$99,226	\$106,377	\$651,175	\$759,704
Operating Grants and Contributions	547,381	613,086	167,947	180,874	715,328	793,960
<i>General Receipts:</i>						
Property Taxes	4,616,024	4,628,396	0	0	4,616,024	4,628,396
Income Taxes	1,651,388	1,595,941	0	0	1,651,388	1,595,941
Unrestricted Grants and Entitlements	1,659,743	1,587,912	0	0	1,659,743	1,587,912
Investments Earnings	123,412	80,095	0	0	123,412	80,095
Proceeds from the Sale of Capital Assets	200	470	0	0	200	470
Miscellaneous	<u>103,494</u>	<u>138,911</u>	<u>2,110</u>	<u>2,696</u>	<u>105,604</u>	<u>141,607</u>
<i>Total Receipts</i>	9,253,591	9,298,138	269,283	289,947	9,522,874	9,588,085

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*(Unaudited)*

Table 2

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><i>Disbursements:</i></b>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,413,937	3,381,339	0	0	3,413,937	3,381,339
Special	1,205,936	1,027,515	0	0	1,205,936	1,027,515
<i>Support Services:</i>						
Pupils	356,407	362,013	0	0	356,407	362,013
Instructional Staff	147,436	138,861	0	0	147,436	138,861
Board of Education	103,065	133,674	0	0	103,065	133,674
Administration	682,475	527,191	0	0	682,475	527,191
Fiscal	487,347	435,947	0	0	487,347	435,947
Business	12,241	13,694	0	0	12,241	13,694
Operation and Maintenance of Plant	977,318	691,048	0	0	977,318	691,048
Pupil Transportation	395,278	356,162	0	0	395,278	356,162
Central	15,947	10,632	0	0	15,947	10,632
Operation of Non-Instructional Services	0	10,320	0	0	0	10,320
Extracurricular Activities	238,612	289,750	0	0	238,612	289,750
Principal Retirement	1,635,000	340,000	0	0	1,635,000	340,000
Interest and Fiscal Charges	76,788	122,001	0	0	76,788	122,001
Food Service	0	0	325,494	334,675	325,494	334,675
<i>Total Disbursements</i>	<u>9,747,787</u>	<u>7,840,147</u>	<u>325,494</u>	<u>334,675</u>	<u>10,073,281</u>	<u>8,174,822</u>
<i>Changes in Net Position</i>	(494,196)	1,457,991	(56,211)	(44,728)	(550,407)	1,413,263
<i>Net Position at Beginning 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>
<i>Net Position at End of Year</i>	<u>\$4,790,585</u>	<u>\$5,284,781</u>	<u>\$9,588</u>	<u>\$65,799</u>	<u>\$4,800,173</u>	<u>\$5,350,580</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)*

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The most significant program disbursements for the District are Regular Instruction, Principal Retirement, Special Instruction, Operation and Maintenance of Plant and Administration. These programs account for 81.19 percent of the total governmental activities. Regular Instruction, which accounts for 35.02 percent of the total, represents costs associated with providing general educational services. Principal Retirement, which accounts for 16.77 percent of total, represents costs associated with debt payments. Special Instruction, which accounts for 12.37 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 10.03 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 7.00 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 85.67 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities decreased \$494,196 or 9.35 percent. This is a decrease from last year when net position increased \$1,457,991 or 38.1 percent. Governmental activities receipts decreased \$44,547 or 0.48 percent over last year and disbursements increased \$1,907,640 or 24.33 percent from last year.

The District had program receipt decreases for governmental activities of \$167,083 and an increase in general receipts of \$122,536. The decrease in program receipts is mostly due to a decrease in charges for services and sales. The increase in general receipts is primarily due to the increase in income taxes and unrestricted grants and entitlements.

The total disbursements for governmental activities increased \$1,907,640 due primarily to an increase of \$1,295,000 in principal retirement and an increase of \$286,270 in operation and maintenance of plant.

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 \$56,211 or 85.43 percent. This is a decrease from last year when net position decreased \$44,728 or 40.47 percent. Business-type activities receipts decreased \$20,664 or 7.13 percent from last year and disbursements decreased \$9,181 or 2.74 percent from last year.

**Governmental Activities**

The District has rebounded from financial difficulties realized in past 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 49.88 percent, income taxes made up 17.85 percent and intergovernmental receipts made up 23.85 percent of the total receipts for the governmental activities in fiscal year 2019.

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, 2019  
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2019, the District received \$1,651,388, 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 2019, the District received \$1,433,454 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 47.39 percent of governmental activities program disbursements. Support services expenses make up 32.60 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 \$267,173 and disbursements total \$325,494 for fiscal year 2019. 37.15 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 2019 and comparison to fiscal year 2018. 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 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
<b><u>Program Disbursements:</u></b>				
<i>Governmental Activities:</i>				
Instruction	\$4,619,873	\$3,704,815	\$4,408,854	\$3,377,562
Support Services	3,177,514	3,066,749	2,679,542	2,512,154
Extracurricular Activities	238,612	165,105	289,750	222,017
Principal Retirement	1,635,000	1,635,000	340,000	340,000
Interest and Fiscal Charges	76,788	76,788	122,001	122,001
<i>Business-Type Activities:</i>				
Food Service	<u>325,494</u>	<u>58,321</u>	<u>334,675</u>	<u>47,424</u>
Total Disbursements	<u>\$10,073,281</u>	<u>\$8,706,778</u>	<u>\$8,174,822</u>	<u>\$6,621,158</u>



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(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 \$9,253,591 and disbursements of \$9,830,031.

Total governmental funds fund balance decreased by \$576,440. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$563,862, which occurred as a result of an increase in disbursements exceeding receipts during 2019.

**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 \$8,701,510, representing an increase of \$308,468 from the original budget estimates of \$8,393,042. For the General Fund, the final budgeted disbursements were \$9,165,526, representing an increase of \$142,832 from the original budget estimates of \$9,022,694. The final budget reflected a 1.58 percent increase from the original budgeted amount. The actual budget basis expenditures were \$9,208,546 representing a \$43,020 variance under the final budgeted amount.

**Debt Administration**

At June 30, 2019, the District had \$1,545,000 in general obligation debt outstanding with \$1,290,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2019 compared to fiscal year 2018.

Table 4

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

<u>Purpose</u>	<u>2019</u>	<u>2018</u>
1995 School Improvement Bonds	\$495,000	\$725,000
Certificates of Participation Project	<u>1,050,000</u>	<u>2,455,000</u>
Total	<u>\$1,545,000</u>	<u>\$3,180,000</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, 2019  
(Unaudited)*

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**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 2023.

With the passage of the new State Budget for 2019-2020, our District has experienced a change in the current funding method. During this two-year budget, funding levels are based on enrollment for 2017 and 2018. Due to a reduction in students, the District is now on the minimum funding guarantee (capped) for 2020-2021. 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 Jill Bradford, 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, 2019*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$4,980,105	\$9,588	\$4,989,693
<i>Total Assets</i>	<u>4,980,105</u>	<u>9,588</u>	<u>4,989,693</u>
<b><u>Cash Liabilities:</u></b>			
Deficit in Pooled Cash and Cash Equivalents with Fiscal Agent	189,520	0	189,520
<i>Total Liabilities</i>	<u>189,520</u>	<u>0</u>	<u>189,520</u>
<b><u>Net Position:</u></b>			
<i>Restricted for:</i>			
Debt Service	429,144	0	429,144
Other Purposes	95,561	0	95,561
Set Asides	30,076	0	30,076
Unrestricted	4,235,804	9,588	4,245,392
<i>Total Net Position</i>	<u>\$4,790,585</u>	<u>\$9,588</u>	<u>\$4,800,173</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, 2019

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Governmental Activities:</u></b>						
<i>Instruction:</i>						
Regular	\$3,413,937	\$512,535	\$18,404	(\$2,882,998)	\$0	(\$2,882,998)
Special	1,205,936	0	384,119	(821,817)	0	(821,817)
<i>Support Services:</i>						
Pupils	356,407	0	0	(356,407)	0	(356,407)
Instructional Staff	147,436	0	0	(147,436)	0	(147,436)
Board of Education	103,065	0	0	(103,065)	0	(103,065)
Administration	682,475	0	8,082	(674,393)	0	(674,393)
Fiscal	487,347	0	0	(487,347)	0	(487,347)
Business	12,241	0	0	(12,241)	0	(12,241)
Operation and Maintenance of Plant	977,318	0	3,000	(974,318)	0	(974,318)
Pupil Transportation	395,278	0	94,698	(300,580)	0	(300,580)
Central	15,947	0	4,985	(10,962)	0	(10,962)
Extracurricular Activities	238,612	39,414	34,093	(165,105)	0	(165,105)
<i>Debt Service:</i>						
Principal Retirement	1,635,000	0	0	(1,635,000)	0	(1,635,000)
Interest and Fiscal Charges	76,788	0	0	(76,788)	0	(76,788)
<i>Total Governmental Activities</i>	<u>9,747,787</u>	<u>551,949</u>	<u>547,381</u>	<u>(8,648,457)</u>	<u>0</u>	<u>(8,648,457)</u>
<b><u>Business-Type Activities:</u></b>						
Food Service	325,494	99,226	167,947	0	(58,321)	(58,321)
<i>Total Business-Type Activities</i>	<u>325,494</u>	<u>99,226</u>	<u>167,947</u>	<u>0</u>	<u>(58,321)</u>	<u>(58,321)</u>
<i>Totals</i>	<u>\$10,073,281</u>	<u>\$651,175</u>	<u>\$715,328</u>	<u>(8,648,457)</u>	<u>(58,321)</u>	<u>(8,706,778)</u>
<b><u>General Receipts:</u></b>						
<i>Property Taxes Levied for:</i>						
General Purposes				4,373,797	0	4,373,797
Debt Service				242,227	0	242,227
<i>Income Taxes Levied for:</i>						
General Purposes				1,651,388		1,651,388
Grants and Entitlements not Restricted to Specific Programs				1,659,743	0	1,659,743
Investment Earnings				123,412	0	123,412
Miscellaneous				103,494	2,110	105,604
Proceeds from the Sale of Capital Assets				200	0	200
<i>Total General Receipts</i>				<u>8,154,261</u>	<u>2,110</u>	<u>8,156,371</u>
Change in Net Position				(494,196)	(56,211)	(550,407)
<i>Net Position at Beginning of Year</i>				<u>5,284,781</u>	<u>65,799</u>	<u>5,350,580</u>
<i>Net Position at End of Year</i>				<u>\$4,790,585</u>	<u>\$9,588</u>	<u>\$4,800,173</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, 2019*

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$4,345,088	\$429,144	\$65,535	\$4,839,767
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	<u>30,076</u>	<u>0</u>	<u>0</u>	<u>30,076</u>
<i>Total Assets</i>	<u><u>\$4,375,164</u></u>	<u><u>\$429,144</u></u>	<u><u>\$65,535</u></u>	<u><u>\$4,869,843</u></u>
<b><u>Fund Balances:</u></b>				
Nonspendable	\$1,700	\$0	\$0	\$1,700
Restricted	30,076	429,144	95,043	554,263
Committed	518	0	0	518
Assigned	951,465	0	0	951,465
Unassigned	<u>3,391,405</u>	<u>0</u>	<u>(29,508)</u>	<u>3,361,897</u>
<i>Total Fund Balances</i>	<u><u>\$4,375,164</u></u>	<u><u>\$429,144</u></u>	<u><u>\$65,535</u></u>	<u><u>\$4,869,843</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, 2019*

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**Total Governmental Fund Cash Balances** \$4,869,843

*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.

(79,258)

*Net Cash Position of Governmental Activities*

\$4,790,585

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, 2019*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$4,373,797	\$242,227	\$0	\$4,616,024
Income Taxes	1,651,388	0	0	1,651,388
Intergovernmental	1,886,225	30,675	251,853	2,168,753
Interest	123,412	0	0	123,412
Tuition and Fees	512,535	0	0	512,535
Extracurricular Activities	75	0	39,339	39,414
Gifts and Donations	4,278	0	34,093	38,371
Miscellaneous	87,192	0	16,302	103,494
<i>Total Receipts</i>	<u>8,638,902</u>	<u>272,902</u>	<u>341,587</u>	<u>9,253,391</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,405,893	0	50,389	3,456,282
Special	991,779	0	224,243	1,216,022
<i>Support Services:</i>				
Pupils	359,353	0	0	359,353
Instructional Staff	148,895	0	0	148,895
Board of Education	103,262	0	0	103,262
Administration	688,933	0	3,554	692,487
Fiscal	485,998	4,992	0	490,990
Business	12,241	0	0	12,241
Operation and Maintenance of Plant	980,069	0	3,000	983,069
Pupil Transportation	398,114	0	0	398,114
Central	11,840	0	4,107	15,947
Extracurricular Activities	172,619	0	68,962	241,581
<i>Debt Service:</i>				
Principal Retirement	1,405,000	230,000	0	1,635,000
Interest and Other Fiscal Charges	38,968	37,820	0	76,788
<i>Total Disbursements</i>	<u>9,202,964</u>	<u>272,812</u>	<u>354,255</u>	<u>9,830,031</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(564,062)	90	(12,668)	(576,640)
<b><u>Other Financing Sources:</u></b>				
Proceeds from the Sale of Capital Assets	200	0	0	200
<i>Total Other Financing Sources</i>	<u>200</u>	<u>0</u>	<u>0</u>	<u>200</u>
<i>Net Change in Fund Balances</i>	(563,862)	90	(12,668)	(576,440)
<i>Fund Balances at Beginning of Year</i>	<u>4,939,026</u>	<u>429,054</u>	<u>78,203</u>	<u>5,446,283</u>
<i>Fund Balances at End of Year</i>	<u>\$4,375,164</u>	<u>\$429,144</u>	<u>\$65,535</u>	<u>\$4,869,843</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, 2019*

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**Net Change in Fund Cash Balances - Total Governmental Funds** (\$576,440)

*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.

82,244

*Change in Net Cash Position of Governmental Activities*

(\$494,196)

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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$4,370,342	\$4,474,139	\$4,373,797	(\$100,342)
Income Taxes	1,575,000	1,651,388	1,651,388	0
Intergovernmental	1,798,700	1,840,912	1,886,225	45,313
Interest	60,000	113,703	123,412	9,709
Tuition and Fees	475,000	507,334	494,824	(12,510)
Extracurricular Activities	0	75	75	0
Miscellaneous	114,000	113,959	81,691	(32,268)
<i>Total Receipts</i>	8,393,042	8,701,510	8,611,412	(90,098)
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,363,230	3,396,637	3,400,612	(3,975)
Special	842,627	837,728	992,063	(154,335)
<i>Support Services:</i>				
Pupils	319,413	320,281	359,477	(39,196)
Instructional Staff	156,398	150,347	148,927	1,420
Board of Education	134,497	135,951	105,762	30,189
Administration	697,999	682,640	679,944	2,696
Fiscal	431,900	482,757	487,169	(4,412)
Business	16,700	16,700	12,241	4,459
Operation and Maintenance of Plant	1,009,309	1,091,773	995,697	96,076
Pupil Transportation	382,301	382,392	398,227	(15,835)
Central	6,725	6,725	11,840	(5,115)
Extracurricular Activities				
Sport Oriented Activities	144,390	144,390	139,736	4,654
School and Public Service Co-Curricular Activities	37,453	37,453	32,883	4,570
<i>Debt Service:</i>				
Principal	1,405,000	1,405,000	1,405,000	0
Interest	74,752	74,752	38,968	35,784
<i>Total Disbursements</i>	9,022,694	9,165,526	9,208,546	(43,020)
<i>Excess of Receipts Over (Under) Disbursements</i>	(629,652)	(464,016)	(597,134)	(133,118)
<b><u>Other Financing Sources:</u></b>				
Proceeds from the Sale of Capital Assets	0	200	200	0
Transfers Out	(225,683)	(225,683)	0	225,683
<i>Total Other Financing Sources</i>	(225,683)	(225,483)	200	225,683
<i>Total Receipts and Other Financing Sources</i>				
<i>Over (Under) Disbursements</i>	(855,335)	(689,499)	(596,934)	92,565
<i>Fund Balance at Beginning of Year</i>	4,577,228	4,577,228	4,577,228	0
Prior Year Encumbrances Appropriated	302,810	302,810	302,810	0
<i>Fund Balance at End of Year</i>	\$4,024,703	\$4,190,539	\$4,283,104	\$92,565

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Position - Cash Basis*

*Proprietary Funds*

*June 30, 2019*

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	<u>Enterprise Fund</u>	<u>Governmental Activities</u>
		<u>Internal Service</u>
<b><u>Assets:</u></b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$9,588	\$110,262
<i>Total Assets</i>	<u>9,588</u>	<u>110,262</u>
<b><u>Cash Liabilities:</u></b>		
Deficit in Pooled Cash and Cash Equivalents with Fiscal Agent	0	189,520
<i>Total Cash Liabilities</i>	<u>0</u>	<u>189,520</u>
<b><u>Net Position:</u></b>		
Unrestricted	9,588	(79,258)
<i>Total Net Position</i>	<u><u>\$9,588</u></u>	<u><u>(\$79,258)</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, 2019*

	Enterprise Fund	Governmental Activities
		Internal Service
<b><u>Operating Receipts:</u></b>		
Charges for Services	\$99,226	\$1,268,349
Other Receipts	2,110	0
	<u>101,336</u>	<u>1,268,349</u>
<b><u>Operating Disbursements:</u></b>		
Salaries	131,995	0
Fringe Benefits	87,015	0
Purchased Services	5,430	298,558
Materials and Supplies	101,054	0
Claims	0	887,547
	<u>325,494</u>	<u>1,186,105</u>
<i>Operating Income (Loss)</i>	<u>(224,158)</u>	<u>82,244</u>
<b><u>Nonoperating Receipts:</u></b>		
Federal and State Subsidies	167,947	0
	<u>167,947</u>	<u>0</u>
<i>Change in Net Position</i>	(56,211)	82,244
<i>Net Position at Beginning of Year</i>	<u>65,799</u>	<u>(161,502)</u>
<i>Net Position at End of Year</i>	<u>\$9,588</u>	<u>(\$79,258)</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, 2019*

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	<u>Agency Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,088</u>
<i>Total Assets</i>	<u><u>21,088</u></u>
<b><u>Net Position:</u></b>	
Due to Students	<u>21,088</u>
<i>Total Net Position</i>	<u><u>\$21,088</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, 2019*

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

**Description of the School District**

Walnut Township Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's facilities staffed by 25 classified and 40 teaching personnel and 7 administrative employees providing education to approximately 526 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, 2019*

---

**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, 2019*

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current cash balances

The following are the District's major governmental funds:

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

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

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

**Proprietary Funds**

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

**Fiduciary Fund**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

**Fund Financial Statements**

Only cash is included on the Balance Sheet. The Statement of Receipts, Disbursements and Changes in Fund Balance reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of cash.

**D. Basis of Accounting**

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2019 (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 2019.

**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, 2019*

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

**G. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The District credits interest to the General Fund. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$123,412, which includes \$15,439 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, 2019, 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 fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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, 2019*

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**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, 2019*

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

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

**P. Operating Receipts and Disbursements**

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

For fiscal year 2019, the District implemented GASB Statement No. 83, “Certain Asset Retirement Obligation”, and GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The implementation of GASB Statements Nos. 83 and 88 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, 2019, Title VI-B Grant, Title I Grant and Title II-A Grant Funds, non-major special revenue funds, reported a deficit fund balance of \$3,508, \$2,765 and \$23,235, respectively. These 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, 2019*

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

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2019:

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

	General
Cash Basis	(\$563,862)
Encumbrances	(25,584)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	<u>(7,488)</u>
<b>Budgetary Basis</b>	<b><u><u>(\$596,934)</u></u></b>

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

**NOTE 5 - DEPOSITS**

State law requires the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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

State Statute permits interim monies to be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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, 2019*

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

**Deposits:** At June 30, 2019, the carrying amounts of all the District deposits were \$5,010,781. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2019, \$4,609,683 of the District's bank balance of \$5,021,891 was exposed to custodial risk as discussed below, while \$412,208 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, 2019, the District's deposits were covered by pledged securities by Commodore Bank. Deposits held at North Valley Bank were fully covered by FDIC insurance.

**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 2019 taxes were collected are:

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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

	2018 Second - Half Collections		2019 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$138,995,640	86.34%	\$139,629,290	85.65%
Public Utility Personal	21,990,610	13.66%	23,384,550	14.35%
Total Assessed Value	<u>\$160,986,250</u>	<u>100.00%</u>	<u>\$163,013,840</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$38.60		\$37.50	

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, 2019 are available to finance fiscal year 2019 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 \$1,651,388 are credited to the General Fund for fiscal year 2019.

**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 2019, 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, 2019*

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

Building and Contents-replacement cost (\$2,500 deductible)	\$27,013,160
Inland Marine Coverage (\$2,500 deductible)	40,154
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	15,000

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 2019, 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, 2019*

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**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, 2019, the District had an estimated \$81,834 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>
2018	\$110,303	\$990,655	\$1,103,003	(\$2,045)
2019	(2,045)	971,426	887,547	81,834

**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, 2019*

**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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 2019.

The District’s contractually required pension contribution to SERS was \$138,510 for fiscal year 2019.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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**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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. 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, 2019*

**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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The District’s contractually required pension contribution to STRS was \$404,168 for fiscal year 2019.

**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	0.02923970%	0.02337841%
Prior Measurement Date	<u>0.02297320%</u>	<u>0.02180877%</u>
Change in Proportionate Share	<u>0.00626650%</u>	<u>0.00156964%</u>
Proportion of the Net Pension Liability	\$1,674,612	\$5,140,387
Pension Expense	\$192,889	\$99,540

**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, 2019*

**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, 2018, 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	3.00 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:

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	<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, 2019*

**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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$2,358,817	\$1,674,612	\$1,100,952

**Changes in Benefit Terms Since Prior Measurement Date** – The Retirement Board enacted a three year COLA delay for future recipients commencing benefits on or after April 1, 2018.

**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, including inflation
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0.00%
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, 2018, 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, 2019*

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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, 2018. 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, 2018. 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, 2018.

**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	\$7,506,859	\$5,140,387	\$3,137,490

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

***Net OPEB Liability***

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](http://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, 2019*

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**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 2019, 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 2019, 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 2019, the District's surcharge obligation was \$14,176.

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 \$5,130 for fiscal year 2019.

**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](http://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, 2019, 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, 2018, 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, 2019*

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

	<u>SERS</u>	<u>STRS</u>
Proportionate Share of the Net Pension Liability:		
Current Measurement Date	0.02902900%	0.02337841%
Prior Measurement Date	<u>0.02299940%</u>	<u>0.02180877%</u>
Change in Proportionate Share	<u>0.00602960%</u>	<u>0.00156964%</u>
Proportion of the Net Pension (Asset)/Liability	\$805,343	(\$375,667)
Pension Expense	\$55,738	(\$749,556)

**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, 2018, 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	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 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, 2019*

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**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, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 3.63 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (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, 2019*

**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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). 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 <u>(2.70%)</u>	Current Discount Rate <u>(3.70%)</u>	1% Increase <u>(4.70%)</u>
District's proportionate share of the net OPEB liability	\$977,220	\$805,343	\$669,248

  

	1% Decrease <u>(6.5 % decreasing to 4.0 %)</u>	Current Trend Rate <u>(7.5 % decreasing to 5.0 %)</u>	1% Increase <u>(8.5 % decreasing to 6.0 %)</u>
District's proportionate share of the net OPEB liability	\$649,764	\$805,343	\$1,011,357

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

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	
Discount Rate of Return	7.45 percent	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent	
Blended Discount Rate of Return	4.13 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	4.00 percent
Medicare	-5.23 percent	4.00 percent

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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

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.

Actuarial assumptions used in the June 30, 2018, 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 7.45 percent as of June 30, 2018. 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 available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

**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, 2018, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net OPEB asset	\$321,982	\$375,667	\$420,787

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$418,240	\$375,667	\$332,431

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 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.

**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, 2019*

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the governmental activities long-term obligations of the District during fiscal year 2019 were as follows:

Governmental Activities	Issue Date	Interest Rate	Principal			Principal Outstanding June 30, 2019	Due in One Year
			Outstanding July 1, 2018	Additions	Deletions		
General Obligation Bonds	1995	6.20%	\$725,000	\$0	\$230,000	\$495,000	\$240,000
Refunding Bonds	2016	2.80%	2,455,000	0	1,405,000	1,050,000	1,050,000
Total Government Activities			<u>\$3,180,000</u>	<u>\$0</u>	<u>\$1,635,000</u>	<u>\$1,545,000</u>	<u>\$1,290,000</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 \$495,000 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 \$1,050,000 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, 2019 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2020	\$240,000	\$23,250	\$1,050,000	\$4,818	\$1,318,068
2021	255,000	7,950	0	0	262,950
Total	<u>\$495,000</u>	<u>\$31,200</u>	<u>\$1,050,000</u>	<u>\$4,818</u>	<u>\$1,581,018</u>

The District's overall legal debt margin was \$14,176,246 with an unvoted debt margin of \$163,014 at June 30, 2019.

**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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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

The following cash basis changes occurred in the District’s set-aside reserve account during fiscal year 2019:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2018	\$40,647
FY 2019 Set Aside Required	100,342
FY 2019 Qualifying Disbursements	<u>110,913</u>
Set Aside Balances Carried Forward to FY 2020	<u>30,076</u>
Set Aside Reserve Balances at June 30, 2019	<u>30,076</u>
Total Restricted Assets	<u><u>\$30,076</u></u>

**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	30,076	0	0	30,076
Scholarships/Trusts	0	0	40,289	40,289
Athletics	0	0	49,389	49,389
State Grants	0	0	5,365	5,365
Debt Service	<u>0</u>	<u>429,144</u>	<u>0</u>	<u>429,144</u>
Total Restricted	30,076	429,144	95,043	554,263
<i>Committed:</i>				
Termination Benefits	518	0	0	518
<i>Assigned:</i>				
Uniform School Supplies	50,597	0	0	50,597
Public School Support	13,661	0	0	13,661
Student Instruction	4,808	0	0	4,808
Student and Staff Support	20,776	0	0	20,776
Future Appropriations	<u>861,623</u>	<u>0</u>	<u>0</u>	<u>861,623</u>
Total Assigned	951,465	0	0	951,465
<i>Unassigned</i>	<u>3,391,405</u>	<u>0</u>	<u>(29,508)</u>	<u>3,361,897</u>
Total Fund Balances	<u><u>\$4,375,164</u></u>	<u><u>\$429,144</u></u>	<u><u>\$65,535</u></u>	<u><u>\$4,869,843</u></u>



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2019*

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**NOTE 15 – ENCUMBRANCE COMMITMENTS**

At June 30, 2019, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$25,584
<u>Nonmajor Funds</u>	
Lunchroom	163
Athletics	5,100
Title VI-B	3,301
Title II-A Grant	3,336
Title I Grant	59
Total Nonmajor Funds	<u>11,959</u>
Total Encumbrances	<u>\$37,543</u>

**NOTE 16- JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Technology Association (META) Solutions**

The District is a participant in META Solutions. 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 2019, the District paid META Solutions \$14,991 for services. Financial information can be obtained from Ashley Widby, 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, 2019*

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**NOTE 17- INSURANCE PURCHASING POOL**

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

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

**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 2019 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. The final payment of \$1,050,000 was made in July 2019.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

## 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, OH 43046

To the Board of Education:

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 financial statements. 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 2020-001.

***District's Response to Findings***

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

***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

March 24, 2021

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2020 AND 2019

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

FINDING NUMBER 2020-001

**Mandated Reporting Framework - 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 Entity to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, and 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.

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

**WALNUT TOWNSHIP SCHOOLS**  
11850 LANCASTER STREET  
MILLERSPORT, OHIO 43046

Will Kirby, Superintendent  
Megan Terry, High School Principal  
Kim Yenni, Elementary Principal

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2020 AND 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001, 2018-001	Annual Financial Report This comment was first issued in 2007.	Not Corrected	Reissued as 2020-001
2018-002	Financial Statement Presentation	Partially Corrected	Comment was reduced in severity as it is not included in the schedule of findings.

"An Equal Opportunity Employer"

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

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**CORRECTIVE ACTION PLAN**  
**JUNE 30, 2020 and 2019**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001	The District is aware of the financial reporting requirements per ORC. The District's management does not believe the preparing and filing of GAAP would benefit the District enough to offset the cost incurred by preparing and auditing those statements.	N/A	Treasurer

"An Equal Opportunity Employer"

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# OHIO AUDITOR OF STATE KEITH FABER



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

**FAIRFIELD COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/6/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)