

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

Basic Financial Statements

June 30, 2014

with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Walnut Township Local School District, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 11, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2014, and the respective changes in cash financial position thereof, and the respective budgetary fund comparison for the General Fund, for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The tables within Management's Discussion and Analysis (Net Position at Year End, Changes in Net Position, Net Cost of Activities, and Outstanding Debt, Governmental Activities at Year End) and the schedule of expenditures of federal awards (the Schedule), as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements

The tables within Management's Discussion and Analysis and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the table within Management's Discussion and Analysis and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables within Management's Discussion and Analysis, we applied no procedures to any other information included within Management's Discussion and Analysis, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2014

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014. 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, 2014 is \$1,345,518. This balance was comprised of a \$501,563 balance in net position amounts restricted for specific purposes, and \$843,955 in unrestricted net position.

In total, net position of governmental activities decreased by \$625,680, which represents a 33.77 percent decrease from 2013. Net position of the business-type activities increased \$3,664 which represents a 3.20 percent increase from 2013.

General receipts accounted for \$6,285,151 or 83.25 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 \$1,264,731 or 16.75 percent of total receipts of \$7,549,882 for the governmental activities.

The District had \$8,175,562 in disbursements related to governmental activities; only \$1,264,731 of these disbursements were offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes and grants and entitlements) of \$6,285,151 and carryover net position were used to provide for the remainder of these programs.

The District had \$287,234 in disbursements related to business-type activities; \$288,608 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 \$6,737,653 in receipts and \$7,364,597 in disbursements in fiscal year 2014.

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, 2014
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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 2014 compared to fiscal year 2013:

Table 1
Net Position at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets:</u>						
Cash and Cash Equivalents	\$1,227,193	\$1,852,873	\$118,325	\$114,661	\$1,345,518	\$1,967,534
<i>Total Assets</i>	<u>1,227,193</u>	<u>1,852,873</u>	<u>118,325</u>	<u>114,661</u>	<u>1,345,518</u>	<u>1,967,534</u>
<u>Net Position:</u>						
Restricted	501,563	451,562	0	0	501,563	451,562
Unrestricted	<u>725,630</u>	<u>1,401,311</u>	<u>118,325</u>	<u>114,661</u>	<u>843,955</u>	<u>1,515,972</u>
<i>Total Net Position</i>	<u>\$1,227,193</u>	<u>\$1,852,873</u>	<u>\$118,325</u>	<u>\$114,661</u>	<u>\$1,345,518</u>	<u>\$1,967,534</u>

Total Cash and Cash Equivalents decreased \$622,016 from fiscal year 2013 due primarily to the increase in disbursements exceeding the increase in receipts.

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 \$501,563 is restricted assets. The restricted net position 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, 2014
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and provides a comparison to fiscal year 2013.

Table 2

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$514,297	\$539,633	\$110,831	\$113,587	\$625,128	\$653,220
Operating Grants and Contributions	750,434	574,537	177,777	169,698	928,211	744,235
<i>General Receipts:</i>						
Property Taxes	3,455,106	3,281,058	0	0	3,455,106	3,281,058
Income Taxes	1,281,696	1,138,073	0	0	1,281,696	1,138,073
Unrestricted Grants and Entitlement	1,442,517	1,710,903	0	0	1,442,517	1,710,903
Investments Earnings	2,499	4,188	0	0	2,499	4,188
Miscellaneous	103,333	66,856	2,290	2,283	105,623	69,139
<i>Total Receipts</i>	7,549,882	7,315,248	290,898	285,568	7,840,780	7,600,816

(Continued)

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Disbursements:</u>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,597,282	3,420,422	0	0	3,597,282	3,420,422
Special	1,216,395	1,133,769	0	0	1,216,395	1,133,769
Vocational	79,037	78,705	0	0	79,037	78,705
<i>Support Services:</i>						
Pupils	214,803	217,352	0	0	214,803	217,352
Instructional Staff	207,141	215,606	0	0	207,141	215,606
Board of Education	99,902	150,228	0	0	99,902	150,228
Administration	517,374	521,410	0	0	517,374	521,410
Fiscal	480,402	408,240	0	0	480,402	408,240
Business	0	1,075	0	0	0	1,075
Operation and Maintenance of Plant	607,227	651,009	0	0	607,227	651,009
Pupil Transportation	373,732	442,958	0	0	373,732	442,958
Central	11,438	17,944	0	0	11,438	17,944
Extracurricular Activities	293,860	282,224	0	0	293,860	282,224
Principal Retirement	260,000	250,000	0	0	260,000	250,000
Interest and Fiscal Charges	216,969	230,686	0	0	216,969	230,686
Food Service	0	0	287,234	302,113	287,234	302,113
Total Disbursements	8,175,562	8,021,628	287,234	302,113	8,462,796	8,323,741
Changes in Net Position	(625,680)	(706,380)	3,664	(16,545)	(622,016)	(722,925)
Net Position at Beginning of Year	1,852,873	2,559,253	114,661	131,206	1,967,534	2,690,459
Net Position at End of Year	\$1,227,193	\$1,852,873	\$118,325	\$114,661	\$1,345,518	\$1,967,534

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Fiscal. These programs account for 78.51 percent of the total governmental activities. Regular Instruction, which accounts for 44.00 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 14.88 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 7.43 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.33 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 5.87 percent of the total, represents costs associated with the Treasurer's office and the fiscal operations of the District.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 81.85 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities decreased \$625,680 or 33.77 percent. This is a increase from last year when net position decreased \$706,380 or 27.60 percent. Governmental activities receipts increased \$234,634 or 3.21 percent over last year and disbursements increased \$153,934 or 1.92 percent over last year.

The District had program receipt increases for Governmental Activities of \$150,561, as well as an increase in general receipts of \$84,073. The increase in program receipts is mostly due to a increase in operating grants and contributions and the increase in general receipts is mostly due to the increase in property taxes.

The total disbursements for governmental activities increased \$153,934 due primarily to increases of \$176,860 in regular instructions and \$82,626 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 \$3,644 or 3.20 percent. This is a increase from last year when net position decreased \$16,545 or 12.61 percent. Business-type activities receipts increased \$5,330 or 1.87 percent over last year and disbursements decreased \$14,879 or 4.92 percent over last year.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes and intergovernmental receipts and, like most Ohio schools, is hampered by a lack of revenue growth. However, property taxes made up 45.76 percent, income taxes made up 16.98 percent and unrestricted intergovernmental receipts made up 19.11 percent of the total receipts for the governmental activities in fiscal year 2014.

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, 2014
(Unaudited)*

The District's income tax receipts consist of a 1.75 percent voted income tax levy. During fiscal year 2014, the District received \$1,281,696, which represents 16.98 percent of the total receipts for the governmental activities.

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 2014, the District received \$1,337,855 through the State's foundation program, which represents 22.65 percent of the total receipts for the governmental activities. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 59.85 percent of governmental activities program disbursements. Support services expenses make up 30.73 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 \$288,608 and disbursements total \$287,234 for fiscal year 2014. 38.40 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 2014 and comparison to fiscal year 2013. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

Table 3
Net Cost of Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$4,892,714	\$3,821,775	\$4,632,896	\$3,710,872
Support Services	2,512,019	2,431,377	2,625,822	2,555,533
Extracurricular Activities	293,860	180,710	282,224	160,367
Principal Retirement	260,000	260,000	250,000	250,000
Interest and Fiscal Charges	216,969	216,969	230,686	230,686
<i>Business-Type Activities:</i>				
Food Service	<u>287,234</u>	<u>(1,374)</u>	<u>302,113</u>	<u>18,828</u>
Total Disbursements	<u>\$8,462,796</u>	<u>\$6,909,457</u>	<u>\$8,323,741</u>	<u>\$6,926,286</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$7,549,882 and disbursements of \$8,175,562.

Total governmental funds fund balance decreased by \$625,680. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$626,944, which occurred as a result of the disbursements exceeding receipts during fiscal year 2014.

The District should remain stable through fiscal year 2015. However, projections beyond fiscal year 2015 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of the fiscal year, the District amended its General Fund budget several times. The District uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and 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 budget basis receipts were \$6,649,423 representing no change from the original budget estimates. For the General Fund, the final budget basis disbursements were \$7,438,406 representing a decrease of \$1,351 from the original budget estimates of \$7,439,757. The final budget reflected a 0.02 percent decrease from the original budgeted amount.

Debt Administration

At June 30, 2014, the District had \$4,200,000 in general obligation debt outstanding with \$275,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2014 compared to fiscal year 2013.

Table 4
Outstanding Debt, Governmental Activities at Year End

Purpose	2014	2013
1995 School Improvement Bonds	\$1,515,000	\$1,685,000
Certificates of Participation Project	2,685,000	2,775,000
Total	<u>\$4,200,000</u>	<u>\$4,460,000</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, 2014
(Unaudited)*

Economic Factors

Although considered a mid-wealth district, the District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes and state funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding from property taxes to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The passage of the new State Budget in late-June 2013, Ohio schools have their 4th new funding method since fiscal year 2009. The new, un-named, formula completely changes the way in which Ohio public schools are funded. There are nine separate funding components, each uses a slightly different basis and enrollment in its calculation. The overriding change however is there is no longer a property valuation and millage based local share or "charge-off". A district's local share is determined first and then used throughout the various components. During this two-year budget, there is still a minimum guarantee amount based on a district funding in fiscal year 2013. Added is now a "cap" or maximum increase from one year to the next. In fiscal year 2014 the cap was 6.25% which increases to 10.5% in fiscal year 2015. The District is projected to be on the minimum funding guarantee in both fiscal years 2015 and fiscal year 2016.

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 90 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 Kirk Grandy, 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,227,193	\$118,325	1,345,518
<i>Total Assets</i>	<u>1,227,193</u>	<u>118,325</u>	<u>1,345,518</u>
<u>Net Position:</u>			
<i>Restricted for:</i>			
Debt Service	375,500	0	375,500
Set Asides	59,394	0	59,394
Athletic Funds	66,669	0	66,669
Unrestricted	<u>725,630</u>	<u>118,325</u>	<u>843,955</u>
<i>Total Net Position</i>	<u><u>\$1,227,193</u></u>	<u><u>\$118,325</u></u>	<u><u>\$1,345,518</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$3,597,282	\$398,796	\$59,667	(\$3,138,819)	\$0	(\$3,138,819)
Special	1,216,395	0	608,303	(608,092)	0	(608,092)
Vocational	79,037	2,551	1,622	(74,864)	0	(74,864)
<i>Support Services:</i>						
Pupils	214,803	0	0	(214,803)	0	(214,803)
Instructional Staff	207,141	0	42,879	(164,262)	0	(164,262)
Board of Education	99,902	0	0	(99,902)	0	(99,902)
Administration	517,374	0	3,681	(513,693)	0	(513,693)
Fiscal	480,402	0	0	(480,402)	0	(480,402)
Operation and Maintenance of Plant	607,227	0	0	(607,227)	0	(607,227)
Pupil Transportation	373,732	0	30,482	(343,250)	0	(343,250)
Central	11,438	0	3,600	(7,838)	0	(7,838)
Extracurricular Activities	293,860	112,950	200	(180,710)	0	(180,710)
<i>Debt Service:</i>						
Principal Retirement	260,000	0	0	(260,000)	0	(260,000)
Interest and Fiscal Charges	216,969	0	0	(216,969)	0	(216,969)
<i>Total Governmental Activities</i>	<u>8,175,562</u>	<u>514,297</u>	<u>750,434</u>	<u>(6,910,831)</u>	<u>0</u>	<u>(6,910,831)</u>
<u>Business-Type Activities:</u>						
Food Service	287,234	110,831	177,777	0	1,374	1,374
<i>Total Business-Type Activities</i>	<u>287,234</u>	<u>110,831</u>	<u>177,777</u>	<u>0</u>	<u>1,374</u>	<u>1,374</u>
<i>Totals</i>	<u>\$8,462,796</u>	<u>\$625,128</u>	<u>\$928,211</u>	<u>(6,910,831)</u>	<u>1,374</u>	<u>(6,909,457)</u>
<u>General Receipts:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				3,201,983	0	3,201,983
Debt Service				253,123	0	253,123
Income Taxes				1,281,696	0	1,281,696
Grants and Entitlements not Restricted to Specific Programs				1,442,517	0	1,442,517
Investment Earnings				2,499	0	2,499
Miscellaneous				103,333	2,290	105,623
<i>Total General Receipts</i>				<u>6,285,151</u>	<u>2,290</u>	<u>6,287,441</u>
Change in Net Position				(625,680)	3,664	(622,016)
<i>Net Position at Beginning of Year</i>				<u>1,852,873</u>	<u>114,661</u>	<u>1,967,534</u>
<i>Net Position at End of Year</i>				<u>\$1,227,193</u>	<u>\$118,325</u>	<u>\$1,345,518</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, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$726,822	\$375,500	\$65,477	\$1,167,799
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	59,394	0	0	59,394
<i>Total Assets</i>	<u><u>\$786,216</u></u>	<u><u>\$375,500</u></u>	<u><u>\$65,477</u></u>	<u><u>\$1,227,193</u></u>
<u>Fund Balances:</u>				
Nonspendable	\$1,136	\$0	\$0	\$1,136
Restricted	59,394	375,500	65,477	500,371
Committed	1,192	0	0	1,192
Assigned	696,551	0	0	696,551
Unassigned	27,943	0	0	27,943
<i>Total Fund Balances</i>	<u><u>\$786,216</u></u>	<u><u>\$375,500</u></u>	<u><u>\$65,477</u></u>	<u><u>\$1,227,193</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 Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$3,201,983	\$253,123	\$0	\$3,455,106
Income Taxes	1,281,696	0	0	1,281,696
Intergovernmental	1,761,147	33,740	397,836	2,192,723
Interest	2,499	0	0	2,499
Tuition and Fees	401,347	0	0	401,347
Extracurricular Activities	0	0	112,950	112,950
Gifts and Donations	28	0	200	228
Miscellaneous	88,953	0	14,380	103,333
<i>Total Receipts</i>	<u>6,737,653</u>	<u>286,863</u>	<u>525,366</u>	<u>7,549,882</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,529,573	0	67,709	3,597,282
Special	918,350	0	298,045	1,216,395
Vocational	79,037	0	0	79,037
<i>Support Services:</i>				
Pupils	214,803	0	0	214,803
Instructional Staff	167,604	0	39,537	207,141
Board of Education	99,902	0	0	99,902
Administration	513,452	0	3,922	517,374
Fiscal	475,198	5,204	0	480,402
Operation and Maintenance of Plant	607,227	0	0	607,227
Pupil Transportation	373,732	0	0	373,732
Central	7,838	0	3,600	11,438
Extracurricular Activities	170,112	0	123,748	293,860
<i>Debt Service:</i>				
Principal Retirement	90,000	170,000	0	260,000
Interest and Other Fiscal Charges	117,769	99,200	0	216,969
<i>Total Disbursements</i>	<u>7,364,597</u>	<u>274,404</u>	<u>536,561</u>	<u>8,175,562</u>
<i>Net Change in Fund Balance</i>	(626,944)	12,459	(11,195)	(625,680)
<i>Fund Balances at Beginning of Year</i>	<u>1,413,160</u>	<u>363,041</u>	<u>76,672</u>	<u>1,852,873</u>
<i>Fund Balances at End of Year</i>	<u><u>\$786,216</u></u>	<u><u>\$375,500</u></u>	<u><u>\$65,477</u></u>	<u><u>\$1,227,193</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 Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,201,983	\$3,201,983	\$3,201,983	\$0
Income Taxes	1,281,696	1,281,696	1,281,696	0
Intergovernmental	1,727,123	1,727,123	1,761,147	34,024
Interest	2,400	2,400	2,499	99
Tuition and Fees	365,827	365,827	391,536	25,709
Miscellaneous	70,394	70,394	74,343	3,949
<i>Total Receipts</i>	6,649,423	6,649,423	6,713,204	63,781
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,388,542	3,388,543	3,504,048	(115,505)
Special	911,773	915,271	991,642	(76,371)
Vocational	80,326	80,326	78,763	1,563
<i>Support Services:</i>				
Pupils	222,321	222,321	217,240	5,081
Instructional Staff	203,096	203,096	169,842	33,254
Board of Education	153,062	153,062	102,963	50,099
Administration	518,484	518,484	501,701	16,783
Fiscal	461,596	461,596	486,652	(25,056)
Business	1,140	1,140	0	1,140
Operation and Maintenance of Plant	643,865	643,865	699,322	(55,457)
Pupil Transportation	440,126	435,276	391,221	44,055
Central	15,706	15,706	13,922	1,784
Extracurricular Activities	191,951	191,951	171,393	20,558
<i>Debt Service:</i>				
Principal	90,000	90,000	90,000	0
Interest	117,769	117,769	117,769	0
<i>Total Disbursements</i>	7,439,757	7,438,406	7,536,478	(98,072)
<i>Excess of Receipts Over (Under) Disbursements</i>	(790,334)	(788,983)	(823,274)	(34,291)
<u>Other Financing (Uses):</u>				
Transfers Out	(302,717)	(547,017)	(25,000)	522,017
<i>Total Other Financing (Uses)</i>	(302,717)	(547,017)	(25,000)	522,017
<i>Net Change in Fund Balance</i>	(1,093,051)	(1,336,000)	(848,274)	487,726
<i>Fund Balance at Beginning of Year</i>	1,273,749	1,273,749	1,273,749	0
Prior Year Encumbrances Appropriated	89,251	89,251	89,251	0
<i>Fund Balance at End of Year</i>	\$269,949	\$27,000	\$514,726	\$487,726

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Fund Net Position - Cash Basis

Proprietary Fund

June 30, 2014

	<u>Enterprise Fund</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$118,325</u>
<i>Total Assets</i>	<u>118,325</u>
<u>Net Position:</u>	
Unrestricted	<u>118,325</u>
<i>Total Net Position</i>	<u><u>\$118,325</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 Fund
For the Fiscal Year Ended June 30, 2014*

	Enterprise Fund
<u>Operating Receipts:</u>	
Charges for Services	\$110,831
Other Revenues	2,290
	113,121
<u>Operating Disbursements:</u>	
Salaries	105,848
Fringe Benefits	51,080
Purchased Services	230
Materials and Supplies	130,076
	287,234
<i>Operating Loss</i>	(174,113)
<u>Nonoperating Receipts:</u>	
Federal and State Subsidies	177,777
	177,777
<i>Change in Net Position</i>	3,664
<i>Net Position at Beginning of Year</i>	114,661
<i>Net Position at End of Year</i>	\$118,325

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Fund
June 30, 2014

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$12,486</u>
<i>Total Assets</i>	<u><u>12,486</u></u>
<u>Liabilities:</u>	
Due to Students	<u>12,486</u>
<i>Total Liabilities</i>	<u><u>\$12,486</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, 2014

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 26 classified and 46 teaching personnel and 4 administrative employees providing education to approximately 600 students.

Reporting Entity

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

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

The District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Education Council, Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 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, 2014

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 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, 2014

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, financial position and cash flows. The District's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The only proprietary fund of the District accounts for transactions related to the food service operations.

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 liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 2014 (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 2014.

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, 2014

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 2014 amounted to \$2,499, which includes \$695 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, 2014, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for capital improvements.

I. Capital Assets

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

J. Interfund Transactions

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

K. Compensated Absences

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

L. Long-Term Obligations

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

M. 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.

N. 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 or resolutions 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 expenditures 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 expenditures 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

O. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the District, these receipts are charges for services for the food service operations. 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 2014, the District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," GASB Statement No. 66, "Technical Corrections – 2012; an amendment of GASB Statement No. 10 and No. 62," GASB Statement No. 67, "Financial Reporting for Pension Plans" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The implementation of GASB Statements No. 65, 66, 67 and 70 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.

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, 2014

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, 2014:

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

	General
Cash Basis	(\$626,944)
Encumbrances	(235,523)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	<u>14,193</u>
Budgetary Basis	<u><u>(\$848,274)</u></u>

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, 2014

NOTE 5 -DEPOSITS - (Continued)

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

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

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

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS - (Continued)

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

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

Deposits: At June 30, 2014, the carrying amounts of all the District deposits were \$1,357,979. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, as of June 30, 2014, \$1,089,771 of the District’s bank balance of \$1,499,319 was exposed to custodial risk as discussed below, while \$409,548 was covered by Federal Deposit Insurance Corporation.

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second - Half Collections		2014 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricualtural/Residential and Other Real Estate	\$126,443,970	90.82%	\$132,255,230	89.06%
Public Utility Personal	12,780,950	9.18%	16,252,550	10.94%
Total Assessed Value	<u>\$139,224,920</u>	<u>100.00%</u>	<u>\$148,507,780</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation		\$33.70		\$33.40

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 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 \$1,281,696 are credited to the General Fund for fiscal year 2014.

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 2014, the District contracted with Tom Jones Insurance Agency, Inc. for property and fleet insurance and Ohio School Plan for liability insurance. Coverage's provided are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$25,502,150
Inland Marine Coverage (\$250 deductible)	78,855
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	5,000

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 8 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal years ending June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$114,834, \$172,504 and \$170,397, respectively; 100 percent of the required pension contributions were paid in each of the three years.

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

Plan Options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money amount various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to healthcare coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$399,564, \$413,523 and \$412,728, respectively; 100 percent of the required pension contributions were paid in each of the three years. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 Comprehensive Annual Financial Report are available.

Additional information or copies of STRS Ohio's 2013 Comprehensive Annual Financial Report can be requested by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employee Retirement System

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

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of the SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2014, this actuarially required allocation is 0.76. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,662, \$711 and \$1,321, respectively; which equaled the required contributions each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An addition health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,731, \$6,176 and \$27,196, respectively; which equaled the required contributions each year.

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

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

State Teachers Retirement System

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

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

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$30,736, \$31,809 and \$29,481 respectively; which equaled the required contributions each year.

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Insurance Benefits

The District provides health, drug, and dental insurance for all eligible employees through Medical Mutual of Ohio. The District pays medical and drug monthly premiums for staff for family and single coverage. The District pays the total monthly premium for dental insurance coverage for family and single employees. The District does not provide vision insurance to its employees. The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Mutual of Ohio. Premiums are paid from the same funds that pay employees' salaries.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the governmental activities long-term obligations of the District during fiscal year 2014 were as follows:

Governmental Activities	Issue Date	Interest Rate	Principal			Principal Outstanding June 30, 2014	Due in One Year
			Outstanding July 1, 2013	Additions	Deletions		
General Obligation Bonds	1995	6.20%	\$1,685,000	\$0	\$170,000	\$1,515,000	\$180,000
Certificates of Participation	2007	4.52%	2,775,000	0	90,000	2,685,000	95,000
Total Government Activities			<u>\$4,460,000</u>	<u>\$0</u>	<u>\$260,000</u>	<u>\$4,200,000</u>	<u>\$275,000</u>

The bond issue outstanding relates to a project approved in 1995, for which bonds were issued in the amount of \$3,550,000, for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$1,515,000 with an interest rate of 6.20%.

The certificates of participation outstanding relates to a project approved in 2007, which were issued in the amount of \$3,195,000 and are for the purpose of renovating, repairing and improving school facilities. These certificates mature in December 2033, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,685,000 with an interest rate of 4.52%.

Principal and interest requirements, which are paid out of the General Fund and Debt Service Fund, to retire general obligation debt outstanding at June 30, 2014 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2015	\$180,000	\$88,350	\$95,000	\$114,069	\$477,419
2016	190,000	76,880	100,000	110,169	477,049
2017	205,000	64,635	105,000	106,069	480,704
2018	215,000	51,615	105,000	101,869	473,484
2019	230,000	37,820	110,000	97,431	475,251
2020-2024	495,000	31,155	630,000	411,081	1,567,236
2025-2029	0	0	785,000	258,579	1,043,579
2030-2033	0	0	755,000	69,863	824,863
Total	<u>\$1,515,000</u>	<u>\$350,455</u>	<u>\$2,685,000</u>	<u>\$1,269,130</u>	<u>\$5,819,585</u>

The District's overall legal debt margin was \$11,850,700 with an unvoted debt margin of \$148,508 at June 30, 2014.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 13 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School 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	\$1,136	\$0	\$0	\$1,136
<i>Restricted:</i>				
Set Asides	59,394	0	0	59,394
Scholarships/Trusts	0	0	24,786	24,786
Federal Grants	0	0	6,197	6,197
Athletics	0	0	34,494	34,494
Debt Service	0	375,500	0	375,500
Total Restricted	59,394	375,500	65,477	500,371
<i>Committed:</i>				
Termination Benefits	1,192	0	0	1,192
<i>Assigned:</i>				
Future Appropriations	428,400	0	0	428,400
Uniform School Supplies	18,168	0	0	18,168
Public School Support	15,469	0	0	15,469
Student Instruction	97,893	0	0	97,893
Student and Staff Support	135,340	0	0	135,340
Extracurricular	1,281	0	0	1,281
Total Assigned	696,551	0	0	696,551
<i>Unassigned</i>	27,943	0	0	27,943
Total Fund Balances	<u>\$786,216</u>	<u>\$375,500</u>	<u>\$65,477</u>	<u>\$1,227,193</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 14- 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 2014:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2013	\$33,073
FY 2014 Set Aside Required	100,151
FY 2014 Qualifying Disbursements	<u>73,830</u>
Set Aside Balances Carried Forward to FY 2015	<u>59,394</u>
Set Aside Reserve Balances at June 30, 2014	<u>59,394</u>
Total Restricted Assets	<u><u>\$59,394</u></u>

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

NOTE 15 – ENCUMBRANCE COMMITMENTS

At June 30, 2014, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$237,575
<u>Nonmajor Funds</u>	
Food Service	3,489
Athletics	1,780
Race To The Top	<u>162</u>
Total Nonmajor Funds	<u>5,431</u>
Total Encumbrances	<u><u>\$243,006</u></u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Central Ohio Special Education Regional Resource Center (COSERRC)

COSERRC is a not for profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with mandates for educating children with disabilities. There is no financial commitment made by the District. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERRC.

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

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Walnut Township Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Grant Year	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2014	\$ 21,430	\$ 21,430
Cash Assistance:				
National School Breakfast Program	10.553	2014	41,409	41,409
National School Lunch Program	10.555	2014	<u>132,925</u>	<u>132,925</u>
Total Nutrition Cluster			<u>195,764</u>	<u>195,764</u>
Total US Department of Agriculture			<u>195,764</u>	<u>195,764</u>
U.S. Department of Education:				
Small Rural School Achievement	84.359	2013	36,583	36,583
<i>Passed through Ohio Department of Education:</i>				
Title I, Part A Grants to Local Education Agencies	84.010	2014	166,374	168,002
		2013	<u>14,633</u>	<u>24,254</u>
Total Title I, Part A Grants to Local Education Agencies			181,007	192,256
Special Education Grants to States	84.027	2014	109,055	109,055
Improving Teacher Quality State Grants	84.367	2014	22,209	22,209
ARRA - Race-to-the-Top Incentive Grants	84.395	2014	43,754	38,565
ARRA - Race-to-the-Top Mini Grants		2014	<u>-</u>	<u>699</u>
Total Race-to-the-Top Incentive Grants			43,754	39,264
Total U.S. Department of Education			<u>392,608</u>	<u>399,367</u>
Total Federal Assistance			<u>\$ 588,372</u>	<u>\$ 595,131</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Walnut Township Local School District
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Walnut Township Local School District. The schedule has been prepared on the cash basis of accounting.

NOTE 2 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the entitlement value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2014, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

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 questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Walnut Township Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 84.010 – Title I, Part A Grants to Local Education Agencies	
CFDA 84.027 – Special Education Grants to States	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2014-001: Reporting Annual Financial Statements

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

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

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

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

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

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

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2013-001: Report Annual Financial Statements

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

Status: Uncorrected – See current audit finding 2014-001

Finding 2013-002: Audit Adjustments

As a result of material audit adjustments found, a material weakness of internal controls to prevent or detect material misstatements for accurate presentation of the District's financial statements.

Status: Corrected

Finding 2013-003: Unrecorded Cash Activity for Athletic Fund

A material weakness of controls over reporting cash and activity for the Athletic Boosters account, that was maintained separate from other District activities, was not properly reported and failure to maintain sufficient documentation.

Status: Corrected

Finding 2013-004: Cash Management Noncompliance in Title I Program

A material weakness of controls over cash management procedures in Title I program expenditures for not spending federal grant draws within the 30 day requirement.

Status: Corrected

Finding 2013-005: Cash Management Noncompliance in Title I Program

A material weakness of controls over cash management procedures in Title I program expenditures that did not agree with the expenditures reported through the PCR submitted to ODE.

Status: Corrected



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.



Dave Yost • Auditor of State

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**