

**BIG WALNUT LOCAL  
SCHOOL DISTRICT**  
**DELAWARE COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
*(Audited)*

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005*

**JAMES SZABO, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Big Walnut Local School District  
70 N. Walnut Street  
Galena, Ohio 43201

We have reviewed the *Independent Auditor's Report* of the Big Walnut Local School District, Delaware County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Big Walnut Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 16, 2006

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**BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Big Walnut Local School District  
70 Walnut Street  
Galena, OH 43021

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, Ohio (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, the District restated its beginning net assets due to errors in depreciation at June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Big Walnut Local School District  
Page Two

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 40 through 42 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purpose of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 27, 2005

# Big Walnut Local School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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As management of the Big Walnut Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

## Financial Highlights

The District's net assets are \$4,567,566 as of June 30, 2005 according to the Statement of Net Assets. This represents an increase of \$713,786 or 18.5% as compared to last year. This increase in net assets is primarily due to an increase in revenue in 2005 of \$3.6 million or 17.3%. The increase in revenue was partially offset by an increase in expense of approximately \$1.95 million or 8.8% resulting from negotiated salary increases and increased health care costs.

The current five-year forecast prepared by the District as mandated by state law, reflects a positive operating cash balance through June 2008. Additional operating levies will be considered for sometime during the 2006 calendar year. In November 2004, the District passed a \$13 million bond issue to make an addition to the existing high school and make needed repairs and renovations to other existing buildings.

The General Fund reported a positive fund balance of \$2,178,097.

Prior year financial amounts have been presented in a manner consistent with the current year presentation.

## Reporting the District as a Whole

### *The Statement of Net Assets and Statement of Activities*

A question typically asked about the District's finances is, "Is the District better off or worse off as a result of the year activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

Our analysis of the District's major funds appears on the fund financial statements beginning with the Combined Balance Sheet and Combined Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various

**Big Walnut Local School District**  
 Management's Discussion and Analysis, continued

grant provisions. The District's two types of funds are governmental and fiduciary and each use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

The District's only fiduciary fund is for Student Managed activities. The District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary Funds. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,567,566 according to the Statement of Net Assets at the close of the most recent fiscal year.

Approximately 17% of the District's net reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that has been spent and is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2005 to 2004 follows from the Statements of Net Assets:

<b>Net Assets - Governmental Activities</b>		
	<u>2005</u>	<u>2004</u>
Current assets	\$ 28,029,081	\$ 14,010,959
Capital assets	10,707,886	10,997,293
Total assets	<u>38,736,967</u>	<u>25,008,252</u>
Current liabilities	11,876,322	11,360,670
Long-term liabilities	22,293,079	9,793,802
Total liabilities	<u>34,169,401</u>	<u>21,154,472</u>
Net Assets:		
Invested in capital, net of debt	784,044	2,984,063
Restricted	3,014,800	534,753
Unrestricted	768,722	334,964
Total net assets	<u>\$ 4,567,566</u>	<u>\$ 3,853,780</u>

**Big Walnut Local School District**  
Management's Discussion and Analysis, continued

A portion of the District's net assets (66%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

**Changes in Net Assets - Governmental Activities**

	<u>2005</u>	<u>2004</u>
<b>Program revenues:</b>		
Charges for services	\$ 947,310	\$ 970,302
Federal grants	697,452	658,071
State grants	155,482	211,162
<b>General revenues:</b>		
Property taxes	12,862,262	9,792,614
Income taxes	3,407,202	3,066,583
State entitlements	6,295,937	6,330,737
Interest income	232,483	11,779
Other	<u>217,655</u>	<u>119,736</u>
Total revenues	<u>24,815,783</u>	<u>21,160,984</u>
<b>Program expenses:</b>		
Instructional	12,528,109	12,261,986
Support services	9,620,484	8,019,924
Co-curricular student activities	758,745	594,907
Community services	-	4,688
Interest on long-term debt	<u>1,194,659</u>	<u>1,269,842</u>
Total expenses	<u>24,101,997</u>	<u>22,151,347</u>
Increase(decrease) in net assets	<u>\$ 713,786</u>	<u>\$ (990,363)</u>

*Governmental Activities*

Net assets of the District's governmental activities increased by \$713,786. The increase in net assets is due primarily to an increase in property tax revenue in 2005.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services.

**Big Walnut Local School District**  
Management's Discussion and Analysis, continued

Programs	Total Cost of Services		Net Cost of Service	
	2005	2004	2005	2004
Instructional services	\$ 12,528,109	12,261,986	12,138,878	11,851,409
Support services	9,620,484	8,019,924	8,462,681	6,847,875
Co-curricular student activities	758,745	594,907	505,535	341,036
Community services	-	4,688	-	1,650
Interest on long-term debt	1,194,659	1,269,842	1,194,659	1,269,842
<b>Total</b>	<b>\$ 24,101,997</b>	<b>22,151,347</b>	<b>22,301,753</b>	<b>20,311,812</b>

Local property taxes and income taxes make up approximately 51.8% and 13.7%, respectively, of total revenues for governmental activities. The net services column reflecting the need for \$22,301,753 of support indicates the reliance on general revenues to support governmental activities.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$15,543,184, which represents an increase of \$13,343,424 as compared to last year's total of \$2,199,760 according to the Governmental Funds Balance Sheet. This increase is primarily attributed to Building Fund proceeds from 2005 issuance of bonds in the amount of \$13 million. The schedule below shows the fund balance and the total change in fund balance from June 30, 2004 to 2005.

	Fund Balance at June 30, 2005	Fund Balance at June 30, 2004	Increase (Decrease)
General Fund	\$ 2,178,097	1,664,632	513,465
Bond Retirement Fund	1,103,591	149,030	954,561
Building Fund	11,970,184	2,071	11,968,113
Other Governmental Funds	291,312	384,027	(92,715)
<b>Total</b>	<b>\$ 15,543,184</b>	<b>2,199,760</b>	<b>13,343,424</b>

*General Fund*

The District's General Fund balance increased by \$513,465. Revenue in the General Fund increased by \$2.5 million or 14%, while expenditures increased by only \$1.1 million or 6%. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues	2005	2004	% Change
Taxes	\$ 13,794,724	11,233,494	22.80%
Intergovernmental	6,090,228	6,248,345	-2.53%
Investment income	96,394	9,367	929.08%
Other revenue	229,946	222,101	3.53%
<b>Total</b>	<b>\$ 20,211,292</b>	<b>17,713,307</b>	<b>14.10%</b>

The increase in General Fund tax revenue is primarily attributable to an increase in assessed valuation on residential property.

**Big Walnut Local School District**  
Management's Discussion and Analysis, continued

As the table below indicates, the largest portion of General Fund expenditures is for instructional cost.

<b>Expenditures by Function</b>	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Instructional services	\$ 11,639,898	11,099,603	4.87%
Support services	7,259,646	6,953,356	4.40%
Co-curricular student activities	430,142	407,995	5.43%
Capital outlay	<u>279,399</u>	<u>22,292</u>	1153.36%
Total	<u>\$ 19,609,085</u>	<u>18,483,246</u>	6.09%

Overall, expenditures are up 6% due to negotiated salary increases and increased health care costs.

*Bond Retirement Fund*

The Bond Retirement Fund, a debt service fund, is funded primarily with property tax revenue and state property tax allocation at the level necessary to meet debt service requirements. The \$954 thousand increase in fund balance is due to an increase the property tax revenue allocation in order to fund future debt service requirements.

*Building Fund*

The Building Fund, a capital projects fund, is used to account for financial resources to be used for the acquisition and/or construction of major capital facilities. In November 2004, the District passed a \$13 million bond issue to make an addition to the existing high school and make needed repairs and renovations to other existing buildings. The \$11.9 million increase in fund balance is the result of a \$13 million bond sale in 2005. The projects related to this bond issue were started during 2005.

*Other Governmental Funds*

Other governmental funds consist of special revenue funds and a non-major capital projects fund. Fund balance in these funds decreased by \$92,715.

**General Fund Budget Information**

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The District uses the five-year forecast as the original document from which to form the operating budget. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. Budgets are reviewed periodically to ensure management becomes aware of any variations during the year.

**Capital Assets**

The District has \$10,707,886 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

**Big Walnut Local School District**  
Management's Discussion and Analysis, continued

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**Debt**

On June 30, 2005, the District had \$20,246,997 in outstanding bonds. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

On December 29, 2004, the District sold \$13,000,000 of general obligation bonds for the purpose of constructing an addition to the high school and a bus maintenance facility and various other renovations. The issuance resulted a premium of \$200,888 and issuance costs of \$198,727. The new issue included \$3,310,000 in current interest serial bonds, \$9,305,000 in term bonds maturing at various dates and \$385,000 in capital appreciation bonds. These capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal.

On November 25, 2003, the District sold \$4,404,981 of general obligation bonds dated December 1, 2003, with final maturities on December 1, 2014. These bonds refunded \$4,405,000 of the District's Refunding Bonds dated April 15, 1993. The final maturities of the Refunding Bonds had been December 1, 2014. The refunding resulted in a premium of \$183,033, issuance costs of \$94,914 and a redemption premium of \$88,100. The transaction resulted in an economic gain of \$504,849 and a reduction of \$534,775 in future debt service payments. The new issue included \$3,970,000 in current interest serial bonds and \$434,981 in capital appreciation bonds

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2005, the District's general obligation debt was below the legal limit.

**Restrictions and Other Limitations**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

## **BASIC FINANCIAL STATEMENTS**

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BIG WALNUT LOCAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Cash and investments	\$ 14,025,211
Receivables	13,627,779
Due from other- Governments	67,873
Inventory	22,157
Prepaid assets and other assets	286,061
Capital Assets:	
Nondepreciable capital assets	569,034
Depreciable capital assets, net	10,138,852
<b>TOTAL ASSETS</b>	<u><u>38,736,967</u></u>
<b>LIABILITIES:</b>	
Accounts payable	909,171
Deferred revenue	8,932,988
Accrued wages and benefits	1,933,523
Accrued interest payable	90,718
Matured bonds payable	9,922
Long-term Liabilities:	
Due within one year	1,047,602
Due in more than one year	21,245,477
<b>TOTAL LIABILITIES</b>	<u><u>34,169,401</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	784,044
Restricted for:	
Budget stabilization	312,510
Debt service	1,078,023
Capital projects	1,607,712
Other purposes	16,555
Unrestricted	768,722
<b>TOTAL NET ASSETS</b>	<u><u>\$ 4,567,566</u></u>

The notes to the basic financial statements are an integral part of this statement.

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BIG WALNUT LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instructional services:				
Regular	\$ 9,797,759	116,082	100,906	(9,580,771)
Special	2,032,630	-	172,243	(1,860,387)
Vocational	356,760	-	-	(356,760)
Other	340,960	-	-	(340,960)
Support services:				
Operation and maintenance of plant	1,718,729	-	4,839	(1,713,890)
School administration	1,711,124	-	-	(1,711,124)
Pupils	1,198,895	-	297,492	(901,403)
Business operations	141,433	-	-	(141,433)
Instructional staff	1,581,799	-	111,130	(1,470,669)
Student transportation	1,650,474	-	42,470	(1,608,004)
Fiscal	549,565	-	8,060	(541,505)
Food services	707,742	578,018	115,794	(13,930)
General administration	360,723	-	-	(360,723)
Co-curricular student activities	758,745	253,210	-	(505,535)
Interest on long-term debt	1,194,659	-	-	(1,194,659)
<b>Total Governmental Activities</b>	<b>\$ 24,101,997</b>	<b>947,310</b>	<b>852,934</b>	<b>(22,301,753)</b>

General revenues:

  Taxes:

    Property taxes

12,862,262

    Income taxes

3,407,202

  Grants and entitlements not restricted to specific programs

6,295,937

  Investment earnings

232,483

  Miscellaneous

217,655

**Total general revenues**

**23,015,539**

Change in Net Assets

713,786

Net Assets Beginning of Year, as restated

3,853,780

Net Assets End of Year

**4,567,566**

The notes to the basic financial statements are an integral part of this statement.

BIG WALNUT LOCAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	GENERAL FUND	BOND RETIREMENT FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and investments	\$ 51,620	556,818	12,675,985	428,278	13,712,701
Restricted cash	312,510	-	-	-	312,510
Receivables	11,124,457	2,500,709	1,354	1,259	13,627,779
Due from other -					
Governments	-	-	-	67,873	67,873
Funds	31,000	-	-	-	31,000
Prepaid assets	18,499	-	-	-	18,499
Interfund loans receivable	124,345	-	-	-	124,345
Inventory	-	-	-	22,157	22,157
<b>TOTAL ASSETS</b>	<b>11,662,431</b>	<b>3,057,527</b>	<b>12,677,339</b>	<b>519,567</b>	<b>27,916,864</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 154,985	-	707,155	47,031	909,171
Due to other -					
Funds	-	-	-	31,000	31,000
Interfund loans payable	-	57,878	-	66,467	124,345
Deferred revenue	7,399,215	1,886,136	-	-	9,285,351
Accrued wages and benefits	1,849,766	-	-	83,757	1,933,523
Compensated absences	80,368	-	-	-	80,368
Matured bonds payable	-	9,922	-	-	9,922
<b>TOTAL LIABILITIES</b>	<b>9,484,334</b>	<b>1,953,936</b>	<b>707,155</b>	<b>228,255</b>	<b>12,373,680</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	-	-	1,605,338	21,508	1,626,846
Prepaid assets	18,499	-	-	22,157	40,656
Future appropriations	2,291,844	614,573	-	-	2,906,417
Budget stabilization	312,510	-	-	-	312,510
Unreserved, reported in					
General fund	(444,756)	-	-	-	(444,756)
Special revenue fund	-	-	-	245,273	245,273
Debt Service fund	-	489,018	-	-	489,018
Capital projects fund	-	-	10,364,846	2,374	10,367,220
<b>TOTAL FUND BALANCES</b>	<b>2,178,097</b>	<b>1,103,591</b>	<b>11,970,184</b>	<b>291,312</b>	<b>15,543,184</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,662,431</b>	<b>3,057,527</b>	<b>12,677,339</b>	<b>519,567</b>	<b>27,916,864</b>

The notes to the basic financial statements are an integral part of this statement.

BIG WALNUT LOCAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

**Total Governmental Fund Balances** \$ 15,543,184

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

Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds. 10,707,886

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 619,925

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Interest payable	(90,718)
Compensated absences	(1,656,461)
Bonds payable	(20,556,250)

**Net Assets of Governmental Activities** \$ 4,567,566

The notes to the basic financial statements are an integral part of this statement.

BIG WALNUT LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	GENERAL FUND	BOND RETIREMENT FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 13,794,724	2,435,898	-	-	16,230,622
Intergovernmental:					
Federal Restricted Grants-in-aid	-	-	-	697,452	697,452
State:					
Unrestricted Grants-in-aid	6,047,758	248,179	-	-	6,295,937
Restricted Grants-in-aid	42,470	-	-	113,012	155,482
Investment income	96,394	-	136,089	-	232,483
Co-curricular activities	38,664	-	-	214,546	253,210
Charges for services and materials	-	-	-	593,109	593,109
Tuition fees	100,991	-	-	-	100,991
Other	90,291	-	1,347	38,632	130,270
<b>TOTAL REVENUES</b>	<b>20,211,292</b>	<b>2,684,077</b>	<b>137,436</b>	<b>1,656,751</b>	<b>24,689,556</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional services:					
Regular	9,110,168	-	-	156,812	9,266,980
Special	1,837,394	-	-	186,680	2,024,074
Vocational	352,425	-	-	-	352,425
Other	339,911	-	-	1,049	340,960
<b>Total Instructional Services</b>	<b>11,639,898</b>	<b>-</b>	<b>-</b>	<b>344,541</b>	<b>11,984,439</b>
Support services:					
Operation and maintenance of plant	1,709,449	-	-	8,335	1,717,784
School administration	1,654,190	-	-	24,049	1,678,239
Pupils	859,494	-	-	353,248	1,212,742
Business operations	154,192	-	-	-	154,192
Instructional staff	764,172	-	449,084	90,701	1,303,957
Student transportation	1,480,279	-	-	-	1,480,279
Fiscal	497,881	198,727	-	43,142	739,750
Food services	-	-	-	695,763	695,763
General administration	139,989	-	220,734	-	360,723
<b>Total Support Services</b>	<b>7,259,646</b>	<b>198,727</b>	<b>669,818</b>	<b>1,215,238</b>	<b>9,343,429</b>
Co-curricular student activities	430,142	-	-	241,719	671,861
Capital outlay	279,399	-	499,505	3,000	781,904
Debt service:					
Principal retirement	-	731,456	-	-	731,456
Interest	-	1,121,316	-	-	1,121,316
<b>TOTAL EXPENDITURES</b>	<b>19,609,085</b>	<b>2,051,499</b>	<b>1,169,323</b>	<b>1,804,498</b>	<b>24,634,405</b>
Excess (deficiency) of revenues over expenditures	602,207	632,578	(1,031,887)	(147,747)	55,151
<b>OTHER FINANCING SOURCES(USES):</b>					
Proceeds from bond issuance	-	-	13,000,000	-	13,000,000
Premium on bond issuance	-	200,888	-	-	200,888
Transfers in	-	121,095	-	55,032	176,127
Transfers out	(176,127)	-	-	-	(176,127)
Other	87,385	-	-	-	87,385
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(88,742)</b>	<b>321,983</b>	<b>13,000,000</b>	<b>55,032</b>	<b>13,288,273</b>
Net Change in Fund Balances	513,465	954,561	11,968,113	(92,715)	13,343,424
FUND BALANCES AT BEGINNING OF YEAR	1,664,632	149,030	2,071	384,027	2,199,760
FUND BALANCE AT END OF YEAR	<b>\$ 2,178,097</b>	<b>1,103,591</b>	<b>11,970,184</b>	<b>291,312</b>	<b>15,543,184</b>

The notes to the financial statements are an integral part of this statement.

BIG WALNUT LOCAL SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 13,343,424</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(289,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	38,842
Repayment of bond and note principal is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. During 2004, the District issued some new debt and refunded some of it's existing debt. The governmental funds report the effects of premiums, discounts and bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,275,458)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due.	(68,590)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(35,025)
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 713,786</u></u></b>

The notes to the financial statements are an integral part of this statement.

BIG WALNUT LOCAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2005

**AGENCY FUND**  
STUDENT ACTIVITIES FUND

**ASSETS**

Cash and investments	\$	112,287
Accounts receivable		50

<b>Total assets</b>	<b>\$</b>	<b>112,337</b>
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**LIABILITIES**

Accounts payable	\$	7,026
Due to others		105,311

<b>Total liabilities</b>	<b>\$</b>	<b>112,337</b>
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The notes to the basic financial statements are an integral part of this statement.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 1 - Description of the District and Reporting Entity**

Big Walnut Local School District (the District) is a body politic and corporate that is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's seven instructional/support facilities staffed by 101 non-certified and 191 certificated full time teaching personnel who provide services to 2,621 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Big Walnut Local School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if 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 organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, 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 approves the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units.

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

***Big Walnut Education Foundation*** The Big Walnut Education Foundation is a non-profit association established in 1994 to operate exclusively for charitable, scientific, educational and literary purposes to promote excellence at Big Walnut Schools. Nine trustees were originally appointed by the Board of Education; however, after initial terms, one appointee of the Board will continue to be a trustee. The Board of Trustees will select the remaining trustees at the annual meeting. The District cannot abolish the organization, nor is it financially accountable for the Foundation.

***Villages of Sunbury and Galena*** The villages of Sunbury and Galena are separate bodies politic and corporate. A mayor and council are elected independent of any school district relationships, and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

***Delaware Joint Vocational School*** Big Walnut Local School District is a member of the Delaware Joint Vocational School District which serves fourteen districts. Students may elect to attend classes offered at the vocational school. The Delaware JVS is a legal entity separate from Big Walnut Local Schools. They have a Board of Education that acts as the taxing and budgeting authority for the school.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**Big Walnut Education Association and Big Walnut Professional Support Staff** These employee associations are affiliated with the Ohio Education Association (OEA) and are organized to represent the employees of the bargaining unit. The local school district is not involved in their operations.

**Ohio Association of Public School Employees Local 696 and Ohio Association of Public School Employees Local 524** These employee associations are affiliated with the Ohio Association of Public School Employees (OAPSE) and are organized to represent the employees of the bargaining unit. The local school district is not involved in their operations.

**P.T.A., P.T.O., and Athletic/Music Boosters** These organizations exist to support various endeavors of the District through donations of time and other resources. Although the District benefits directly from the activities, the District neither manages nor directs the operations nor provides financial support to these groups.

The District is associated with two jointly governed organization, one related organizations and one public entity risk pools. These organizations are discussed in **Note 14** to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Tri-Rivers Education Computer Association  
Village of Sunbury Joint Venture Agreement

**Related Organization:**

Sunbury Community Library

**Public Entity Risk Pools:**

Ohio School Boards Association Workers' Compensation Group Rating Program

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicant who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied, provided they are collected and certified by the county auditor by the fiscal year-end. Additionally, taxes collected within 60 days after fiscal year-end are recorded as a receivable with an offset to deferred revenue for amounts not collected and available for advance on June 30 by the county auditor. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following *major* governmental funds:

*General Fund* – The general fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

*Bond Retirement Fund* – The Bond Retirement Fund, a debt service fund, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Building Fund* – A capital projects fund used to account for resources to be used for the acquisition and/or construction of major capital facilities.

The District’s nonmajor governmental funds include the following fund types:

*Special revenue funds* – Special revenue funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

*Capital projects funds* – Capital projects funds are used to account for financial resources to be used for the acquisition and/or construction of major capital facilities.

Additionally, the District reports a *fiduciary fund*. Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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and/or other funds. Agency funds, a type of fiduciary fund, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District reports one agency fund, the Student Activities Agency Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to those who benefit from the goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

***C. Cash and Cash Equivalents***

To improve cash management, all cash received by the District Treasurer is pooled in a central bank account. Monies for all funds are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

Investments are stated at cost, which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

***D. Inventory***

Inventory is valued at cost (first-in, first-out). The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed. Inventories consist of donated food, purchased food, and supplies held for resale.

***E. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***F. Capital Assets and Depreciation***

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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during the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than one year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings & Improvements	10 – 30
Furniture and Equipment	5 – 15
Vehicles	5 – 10

**G. Intergovernmental Revenues**

Intergovernmental revenues, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Entitlements**

***General Fund***

State Foundation Program  
School Bus Purchase  
State Property Tax Relief

**Non-Reimbursable Grants**

***Special Revenue Funds***

Title VIB  
Eisenhower Grant  
Title I  
Title V  
Drug Free Schools  
Preschool  
Educational Management Information System  
Improving Teacher Quality  
Professional Development

***Capital Projects Funds***

School Net  
School Net Plus

**Reimbursable Grants**

***Special Revenue Funds***

National School Lunch Program  
Government Donated Commodities

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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***I. Interfund Assets/Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. Long-term interfund loans are classified as “advances to/from other funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. Interfund activity has been eliminated from the government-wide financial statements.

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified employees after 5 years of current service with the District and for certified employees and administrators after 5 years of service.

The entire compensated absence liability is reported on the government-wide financial statements. The amount of accumulated vacation and sick leave of employees applicable to governmental type activities is not reflected in the fund financial statements. When paid, compensated absences for governmental activities are paid from the fund to which the employee's payroll is charged.

***K. Accrued Liabilities and Long-Term Obligations***

All accrued liabilities and long-term debt is reported in the government-wide financial statements. For governmental fund financial statements, these accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term liabilities paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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***L. Fund Balance Reserves/Restrictions***

The District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Fund equity reserves have been established for encumbrances, prepaid assets, property tax revenue reserved by the Board for future year's appropriations and reserves for budget stabilization, as required by state statute (see Note 18).

The District complies with all restrictions governing the use of restricted assets. Such restrictions do not offer discretion regarding use of these resources in an unrestricted manner. When capital restricted funds, usually bond proceeds, are available, capital assets are acquired from such resources. Capital assets can be, however, and to a lesser amount are, acquired from unrestricted resources.

***M. Management Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**Note 3 - Deposits and Investments**

**Cash**

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio. During fiscal year 2005, investments were limited to STAROhio, repurchase agreements, banker's acceptances, CDs, and federal agency securities. However, the District did not hold banker's acceptances as of June 30, 2005. Earnings on investments are credited to the General Fund, except earnings specifically related to the Capital Projects Fund, Special Revenue – Food Service, and Special Revenue Fund - Auxiliary Services, which is in compliance with ORC Section 3315.01. In fiscal 2005 investment income of \$96,394 was recorded in the General Fund.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

**Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was (\$194,413), exclusive of the \$11,555,064 repurchase agreement included as an investment below.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
For the Fiscal Year Ended June 30, 2005

**Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Repurchase Agreement	\$ 11,555,064	\$ 11,555,064	\$ -
StarOhio	5,332	5,332	-
FNMA	2,273,775	1,976,400	297,375
FLHMC Notes	497,740	497,740	-
	<u>\$ 14,331,911</u>	<u>\$ 14,034,536</u>	<u>\$ 297,375</u>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk.* The District's investments in FNMA and FHLMC notes were each rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned StarOhio an AAAM money market rating.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2005, the District and public depositories complied with the provisions of these statutes.

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments to the Statement of Net Assets as of June 30, 2005:

Investments (summarized above)	\$ 14,331,911
Carrying amount of District's deposits	(194,413)
Agency Fund - cash and investments	<u>(112,287)</u>
Total <i>Governmental Activities</i> - cash and investments	<u>\$ 14,025,211</u>

**Note 4 - 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, public utility and tangible personal (used in business) property located in the District. 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. Tangible personal property taxes are levied after April 1 on the value listed as of

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$448,827,760	91.30%	\$465,606,120	91.95%
Public Utility Personal	14,799,990	3.01	14,628,330	2.89
Tangible Personal Property	27,948,476	5.69	26,140,501	5.16
<b>Total</b>	<b>\$491,576,226</b>	<b>100.00%</b>	<b>\$506,374,951</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$35.60		 \$35.60	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate 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 Delaware 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes that became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005 was \$2,906,417 and is recognized as revenue. \$2,291,844 was available to the general fund and \$614,573 was available to the debt service fund.

**Note 5 - Income Tax**

The District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000 and will continue for five 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 revenue is credited to the General Fund.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

**Note 6 - Receivables**

Receivables at June 30, 2005, consisted of the following:

	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 11,122,847	\$ 6	\$ 1,604	\$ 11,124,457
Bond Retirement Fund	2,500,709	-	-	2,500,709
Building Fund	-	7	1,347	1,354
Other governmental funds	-	-	1,259	1,259
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 13,623,556</u>	<u>\$ 13</u>	<u>\$ 4,210</u>	<u>\$ 13,627,779</u>

**Note 7 - Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2005, follows:

	Balance June 30, 2004 <u>(as restated)</u>	<u>Additions</u>	<u>Deductions</u>	Balance 06/30/05
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 569,034	\$ -	\$ -	\$ 569,034
Total capital assets, not being depreciated	<u>569,034</u>	<u>-</u>	<u>-</u>	<u>569,034</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	-	201,253	-	201,253
Buildings and improvements	17,716,377	6,781	-	17,723,158
Furniture, fixtures and equipment	3,443,592	301,340	451,754	3,293,178
Vehicles	2,028,396	-	-	2,028,396
Total capital assets, being depreciated	<u>23,188,365</u>	<u>509,374</u>	<u>451,754</u>	<u>23,246,985</u>
<i>Less: accumulated depreciation</i>				
Land improvements	-	3,880	-	3,880
Buildings and improvements	9,021,004	369,923	-	9,390,927
Furniture, fixtures and equipment	2,631,124	281,468	423,358	3,335,950
Buses, autos and trucks	1,107,978	115,114	-	1,223,092
Total accumulated depreciation	<u>12,760,106</u>	<u>770,385</u>	<u>423,358</u>	<u>13,953,849</u>
Total depreciable capital assets, net	<u>10,428,259</u>	<u>(261,011)</u>	<u>28,396</u>	<u>10,138,852</u>
Governmental activities capital assets, net	<u>\$ 10,997,293</u>	<u>\$ (261,011)</u>	<u>\$ 28,396</u>	<u>\$ 10,707,886</u>

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 469,327
Special	400
Support services:	
Operation and maintenance of plant	3,402
School administration	1,480
Pupils	861
Business operations	256
Instructional staff	37,052
Student transportation	158,406
Fiscal	4,563
Food services	9,239
Co-curricular student activities	85,399
<b>Total depreciation</b>	<u><u>\$ 770,385</u></u>

**Note 8 – Interfund Receivables/Payables**

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables on the fund basis:

	Receivable	Payable
Due to/due from other funds		
General Fund	\$ 31,000	\$ -
Other Governmental Funds -		
Food Service Fund	-	31,000
Total governmental activities	<u><u>\$ 31,000</u></u>	<u><u>\$ 31,000</u></u>
Interfund loans receivable/payable		
General Fund	\$ 124,345	\$ -
Other Governmental Funds:		
Grants - Local Sources	-	1,253
District-Managed Student Activities	-	1,811
Ohio Reads	-	327
Summer Intervention	-	10,140
IDEA (Part B) Grant	-	42,301
Title V Grant	-	1,653
Drug Free Grant	-	704
IDEA Preschool Grant	-	1,184
Improving Teacher Quality	-	7,094
Bond retirement fund	-	57,878
Total Other Governmental Funds	<u>-</u>	<u>124,345</u>
Total governmental activities	<u><u>\$ 124,345</u></u>	<u><u>\$ 124,345</u></u>

Interfund loans payable due from governmental funds are short term advances from the General Fund to cover expenditures not reimbursed by year end. The amount due from the Food Service Fund is a loan to that fund from the General Fund which is not expected to be reimbursed within one year.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 9 - Risk Management**

1. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the District contracted with Marsh Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Marsh Insurance covers the boiler and machinery with a \$1,000 deductible and a \$50,000,000 limit.

Professional liability is protected by The Marsh Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and a \$1,000 deductible. Vehicles are covered by Marsh Insurance and hold a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

2. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings 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 Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

3. Employee Medical Benefits

As of July 1, 2003 the District has contracted with Medical Mutual of Ohio to provide employee medical/surgical benefits. Rates are set through an annual calculation process. Depending on the plan selected employees may share the cost of the monthly premium with the Board. Dental insurance is provided by the District to all employees through Delta Dental.

**Note 10 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

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

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contribution for to SERS for the fiscal year ended June 30, 2005, 2004, and 2003 were \$360,870, \$349,244, and \$356,132, respectively.

***B. 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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. 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.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2005, 2004, and 2003 were \$1,372,259, \$1,439,744, and \$1,347,833, respectively.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 11 - Postemployment Benefits**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$98,019 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, District paid \$127,621 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

**Note 12 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five 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 are not on a twelve month contract 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 a maximum of 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through the CDMU Health Benefits Program. Administrators receive coverage in the amount of double their salary rounded to the nearest \$1,000. Coverage in the amount of \$30,000 is provided for all certified and noncertified employees.

**Note 13 - Long-Term Liabilities**

Changes in long-term liabilities of the District during fiscal year 2005 were as follows:

	Balance			Balance	Amount Due
	June 30, 2004	Additions	Payments	June 30, 2005	in One Year
<b>Notes Payable</b>					
Energy Conservation Notes					
Payable - 5.30%	\$ 115,000	\$ -	\$ 115,000	\$ -	\$ -
Total Note	<u>115,000</u>	<u>-</u>	<u>115,000</u>	<u>-</u>	<u>-</u>
<b>Long-term Obligations</b>					
Compensated absences	1,695,149	115,393	73,713	1,736,829	80,368
School Building General					
Obligation Bonds - 6.59%	144,663	-	61,456	83,207	47,234
Community Library Refunding					
Bonds - 4.85%	920,915	-	135,000	785,915	140,000
Refunding Bonds 1991 & 1992	2,392,894	-	345,000	2,047,894	370,000
Refunding Bonds 2003	4,404,981	-	75,000	4,329,981	75,000
High School Addition and District-					
wide Renovations	<u>-</u>	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>	<u>335,000</u>
Total Long-term Obligations	<u>9,558,602</u>	<u>13,115,393</u>	<u>690,169</u>	<u>21,983,826</u>	<u>1,047,602</u>
Total Note and Long-term					
Obligations	<u>\$ 9,673,602</u>	<u>\$ 13,115,393</u>	<u>\$ 805,169</u>	<u>\$ 21,983,826</u>	<u>\$ 1,047,602</u>

On December 29, 2004, the District sold \$13,000,000 of general obligation bonds for the purpose of constructing an addition to the high school and a bus maintenance facility and various other renovations. The issuance resulted a premium of \$200,888 and issuance costs of \$198,727. The new issue included \$3,310,000 in current interest serial bonds, \$9,305,000 in term bonds maturing at various dates and \$385,000 in capital appreciation bonds. These capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
For the Fiscal Year Ended June 30, 2005

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On November 25, 2003, the District sold \$4,404,981 of general obligation bonds dated December 1, 2003, with final maturities on December 1, 2014. These bonds refunded \$4,405,000 of the District's Refunding Bonds dated April 15, 1993. The final maturities of the Refunding Bonds had been December 1, 2014. The refunding resulted in a premium of \$183,033, issuance costs of \$94,914 and a redemption premium of \$88,100. The transaction resulted in an economic gain of \$504,849 and a reduction of \$534,775 in future debt service payments. The new issue included \$3,970,000 in current interest serial bonds and \$434,981 in capital appreciation bonds.

The general obligation bonds will be paid from the debt service fund.

Compensated absences will be paid from the fund from which the person is paid.

The District's voted legal debt margin was \$ 25,326,749 with an unvoted debt margin of \$ 506,375 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2005 are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2006	\$ 967,234	\$ 1,468,061	\$ 2,435,295
2007	995,973	1,405,677	2,401,650
2008	1,005,000	706,187	1,711,187
2009	873,842	1,504,949	2,378,791
2010	1,107,207	1,202,116	2,309,323
2011-2015	5,092,741	4,231,458	9,324,199
2016-2020	2,150,000	2,142,751	4,292,751
2021-2025	2,540,000	1,585,250	4,125,250
2026-2030	3,215,000	893,475	4,108,475
2031-2032	2,300,000	158,175	2,458,175
Total	<u>\$ 20,246,997</u>	<u>\$ 15,298,099</u>	<u>\$ 35,545,096</u>

**Reconciliation of Long-term Liabilities to the Statement of Net Assets**

The following is a reconciliation of long-term liabilities to the Statement of Net Assets as of June 30, 2005:

Long-term Liabilities (summarized above)	\$ 21,983,826
Accretion on Capital Appreciation Bonds	39,594
Unamortized Deferred Amount on Refunding	(70,480)
Unamortized Bond Premium	340,139
Total	<u>\$ 22,293,079</u>
 <b>Governmental Activities</b>	
Long-term Liabilities:	
Due within one year	\$ 1,047,602
Due in more than one year	21,245,477
Total Long-term Liabilities - <i>governmental activities</i>	<u>\$ 22,293,079</u>

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 14 - Jointly Governed Organizations, Related Organization and Public Entity Risk Pools**

***A. Jointly Governed Organizations***

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among eighteen school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly that is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of TRECA including budgeting, appropriating, contracting and designating management. The six member board of directors consists of four superintendents and the Tri-Rivers JVSD Superintendent and Treasurer. All revenues are generated from State funding and an annual fee charged to participating districts. The District paid \$76,963 to TRECA during fiscal year 2005. The Tri-Rivers JVSD is the fiscal agent of TRECA. Financial information can be obtained by writing to the Tri-Rivers JVSD, 2222 Marion-Mt.Gilead Rd., Marion, Ohio 43302.

The Village of Sunbury Community Park Joint Venture is a jointly governed organization between the Big Walnut Board of Education and The Village of Sunbury. The joint venture agreement was entered into for the purpose of development of an elementary school and an adjacent community park. The legislative and advisory body is made up of two members appointed by the school, two members appointed by the village and an agreed upon fifth member. The village has agreed to commit approximately 21 acres to the development of the school and park and the district has committed \$1.4 million to development of the park. Village of Sunbury financial information can be obtained by writing to the Village of Sunbury, P.O. Box 508, Sunbury, Oh 43074.

***B. Related Organization***

The Public Library is a related organization to Big Walnut Local School District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to Big Walnut Local School District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2005.

***C. Public Entity Risk Pools***

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 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.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 15 - Accountability and Compliance**

***Fund Deficits***

The following funds had deficit fund balances at June 30, 2005:

	Deficit Fund Balance
<b><i>Special Revenue Funds:</i></b>	
Summer Intervention	\$ 10,140
Title I Grant	8,112
Title V Grant	961
Drug Free Grant	3,046
IDEA Preschool Grant for the Handicapped	3,411
Improving Teacher Quality	1,964

The deficits in the funds resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. There was no cash basis fund deficits, all deficits resulted from the application of accrual principles.

**Note 16 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**Note 17 - Contingencies**

***A. Grants***

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

***B. Litigation***

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**Big Walnut Local School District**  
*Notes to the Basic Financial Statements, continued*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 18 – Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. Since the District has not taken credit for all of its qualifying expenditures for the last two years, the beginning set-aside balance for fiscal year 2005 was adjusted to reflect the actual amount of expenditures that should have been carried forward. During the fiscal year ended June 30, 2005, the reserve activity (cash basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, July 1, 2004	\$ (55,778)	\$ (296,207)	\$ 312,510
Required Set-Aside	365,267	365,267	-
Qualifying Expenditures	(436,534)	(495,548)	-
Balance, June 30, 2005	<u>\$ (127,045)</u>	<u>\$ (426,488)</u>	<u>312,510</u>
Restricted Cash at June 30, 2005			<u>\$ 312,510</u>

**Note 19 – Public Entity Risk Pools**

The District participates in the Ohio Association of School Business Officials 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 OASBO. The Executive Director of the OASBO, 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 20 – Restatement of Beginning Net Assets**

The District 2005 financial statements reflects a prior period adjustment to more properly reflect its capital assets, net of accumulated depreciation, at June 30, 2005.

	Governmental Activities
Beginning Net Assets, as previously reported	\$ 11,591,014
Adjustment to correct capital asset depreciation amounts not expensed in prior periods	<u>(593,721)</u>
Beginning Net Assets, as restated	<u>10,997,293</u>

REQUIRED SUPPLEMENTARY INFORMATION

BIG WALNUT LOCAL SCHOOL DISTRICT

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BIG WALNUT LOCAL SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 9,160,156	9,296,258	12,530,273	3,234,015
Intergovernmental - State:				
Unrestricted Grants-in-aid	9,866,803	9,087,951	6,047,755	(3,040,196)
Restricted Grants-in-aid	64,349	59,269	42,470	(16,799)
Investment income	96,523	88,904	64,282	(24,622)
Co-curricular activities	53,624	46,391	38,664	(7,727)
Charges for services and material	107,248	98,782	70,831	(27,951)
Tuition fees	321,744	296,346	174,991	(121,355)
Other	214,495	197,565	115,205	(82,360)
<b>TOTAL REVENUES</b>	<u>19,884,942</u>	<u>19,171,466</u>	<u>19,084,471</u>	<u>(86,995)</u>
<b>EXPENDITURES:</b>				
Instructional services:				
Regular	9,203,006	9,097,908	9,096,908	1,000
Special	1,888,057	1,808,803	1,808,803	-
Vocational	361,106	351,193	351,193	-
Other	388,090	337,194	337,194	-
<b>Total Instructional Services</b>	<u>11,840,259</u>	<u>11,595,098</u>	<u>11,594,098</u>	<u>1,000</u>
Support services:				
Operation and maintenance of plant	1,789,510	1,685,349	1,685,349	-
School administration	1,658,243	1,656,417	1,656,417	-
Pupils	822,704	833,545	833,545	-
Business operations	126,671	125,531	125,531	-
Instructional staff	682,516	761,902	761,902	-
Student transportation	1,390,390	1,459,475	1,459,475	-
Fiscal services	499,203	500,494	500,770	(276)
General administration	168,894	137,280	137,280	-
<b>Total Support Services</b>	<u>7,138,131</u>	<u>7,159,993</u>	<u>7,160,269</u>	<u>(276)</u>
Co-curricular activities	393,164	437,202	437,202	-
Capital outlay	302,150	280,946	280,946	-
<b>TOTAL EXPENDITURES</b>	<u>19,673,704</u>	<u>19,473,239</u>	<u>19,472,515</u>	<u>724</u>
Excess (deficiency) of revenues over expenditures	<u>211,238</u>	<u>(301,773)</u>	<u>(388,044)</u>	<u>86,271</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	8,072	8,072	-
Advances in	-	90,017	90,017	-
Transfers out	-	(184,200)	(184,200)	-
Advances out	-	(63,731)	(63,731)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(149,842)</u>	<u>(149,842)</u>	<u>-</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	211,238	(451,615)	(537,886)	(86,271)
Prior year encumbrances appropriated	373,705	373,705	373,705	-
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>483,240</u>	<u>483,240</u>	<u>483,240</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<u>\$ 1,068,183</u>	<u>405,330</u>	<u>319,059</u>	<u>(86,271)</u>

See notes to required supplementary information.

**Big Walnut Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2005*

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**Note A – Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The budgeting of Advances in and Advances out is not required since they represent a temporary cash flow resource and the intent is to repay.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

***Estimated Resources*** By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the School District Treasurer identifies projected increases or decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in

**Big Walnut Local School District**  
*Required Supplementary Information, continued*  
*For the Fiscal Year Ended June 30, 2005*

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order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**Note B – Reconciling Budgetary Basis and GAAP**

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared in accordance with the budget basis of accounting.

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis); and
- D. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

A reconciliation of the General Fund results of operations at the end of the year on the GAAP basis to the budget basis follows:

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 513,465
 <b>Adjustments, net</b>	
Revenue Accruals	(1,116,117)
Expenditure Accruals	91,468
Encumbrances	(26,702)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	\$ (537,886)

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**BIG WALNUT LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE</b>	<b>CFDA NUMBER</b>	<b>PASS-THROUGH GRANT NUMBER</b>	<b>(E) CASH FEDERAL RECEIPTS</b>	<b>OTHER FEDERAL RECEIPTS</b>	<b>(E) CASH FEDERAL DISBURSEMENTS</b>	<b>OTHER FEDERAL DISBURSEMENTS</b>
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
<i>Nutrition Cluster:</i>						
(A), (C) Food Donation	10.550	N/A	\$ -	\$ 33,113	\$ -	\$ 33,113
(A), (D) National School Lunch	10.555	046748-LLP4-2004	30,692		30,692	
(A), (D) National School Lunch	10.555	046748-LLP4-2005	81,600		81,600	
(A), (D) Special Milk Program for Children	10.556	046748-02PU-2004	55		55	
(A), (D) Special Milk Program for Children	10.556	046748-02PU-2005	284		284	
<b>Total U.S. Department of Agriculture</b>			<b>112,631</b>	<b>33,113</b>	<b>112,631</b>	<b>33,113</b>
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<i>Special Education Cluster:</i>						
(B) Special Education Grants to States	84.027	046748-6BSF-2004	130,701		70,194	
(B) Special Education Grants to States	84.027	046748-6BSF-2005	330,877		368,940	
<b>Total Special Education- Grants to States</b>			<b>461,578</b>		<b>439,134</b>	
(B) Special Education-Preschool Grants	84.173	046748-PGS1-2004	2,863		1,719	
(B) Special Education- Preschool Grants	84.173	046748-PGS1-2005	9,741		10,925	
<b>Total Special Education - Preschool Grants</b>			<b>12,604</b>		<b>12,644</b>	
<b>Total Special Education Cluster</b>			<b>474,182</b>		<b>451,778</b>	
Title I- Grants to Local Education Agencies	84.010	046748-C1S1-2004	31,120		17,447	
Title I- Grants to Local Education Agencies	84.010	046748-C1S1-2005	89,571		83,025	
<b>Total Title I- Grants to Local Education Agencies</b>			<b>120,691</b>		<b>100,472</b>	
State Grants for Innovative programs	84.298	046748-C2S1-2004	13,489		14,582	
State Grants for Innovative programs	84.298	046748-C2S1-2005	3,365		3,766	
<b>Total State Grants for Innovative programs</b>			<b>16,854</b>		<b>18,348</b>	
(F) Safe and Drug Free Schools and Communities- State Grants	84.186	046748-DRS1-2004	(336)		568	
Safe and Drug Free Schools and Communities- State Grants	84.186	046748-DRS1-2005	6,503		6,975	
<b>Total Safe and Drug Free Schools and Communities-State Grants</b>			<b>6,167</b>		<b>7,543</b>	
Improving Teacher Quality State Grants	84.367	046748-TRS1-2004	19,630		9,840	
Improving Teacher Quality State Grants	84.367	046748-TRS1-2005	61,814		68,207	
<b>Total Improving Teacher Quality State Grants</b>			<b>81,444</b>		<b>78,047</b>	
(G) Education Technology State Grant	84.318	046748-TJS1-2004	(744)		1,556	
Education Technology State Grant	84.318	046748-TJS1-2005	5,862		5,862	
<b>Total Education Technology State Grants</b>			<b>5,118</b>		<b>7,418</b>	
<b>Total U. S. Department of Education</b>			<b>704,456</b>		<b>663,606</b>	
<b>Total Federal Financial Assistance</b>			<b>\$ 817,087</b>	<b>\$ 33,113</b>	<b>\$ 776,237</b>	<b>\$ 33,113</b>

- (A) Included as part of the "Nutrition Grant Cluster" in determining major programs
- (B) Included as part of "Special Education Cluster" in determining major programs.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in first-out basis
- (E) This schedule was prepared on the cash basis of accounting.
- (F) Amount of \$336 transferred into next grant year based on Ohio Department of Education administrative action.
- (G) Amount of \$744 transferred into next grant year based on Ohio Department of Education administrative action.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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  
Big Walnut Local School District  
70 Walnut Street  
Galena, OH 43021

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2005. As disclosed in Note 20 to the financial statements, the District restated its beginning net assets due to errors in depreciation at June 30, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education  
Big Walnut Local School District

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted matters that we have reported to management of the District in a separate letter dated December 27, 2005.

This report is intended solely for the information of the Board and management of the Big Walnut Local School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 27, 2005



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
Major Federal Programs and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

Board of Education  
Big Walnut Local School District  
70 Walnut Street  
Galena, OH 43021

Compliance

We have audited the compliance of the Big Walnut Local School District, Delaware County, (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal programs for the fiscal year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. As disclosed in Note 20 to the financial statements, the District restated its beginning net assets due to errors in depreciation at June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance both on our audit.

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 of America; and OMB Circular A-133, *Audit 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

Board of Education  
Big Walnut Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud in amounts that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the management and the Board of Big Walnut Local School District, Delaware County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
December 27, 2005

**BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Program' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Special Education Cluster - Special Education - Grants to States - CFDA #84.027 and Special Education - Preschool Grants - CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2005**

**2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



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**BIG WALNUT LOCAL SCHOOL DISTRICT**

**DELAWARE 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 7, 2006**