



Dave Yost • Auditor of State

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2011, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 2, 2011

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(Unaudited)

The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

Total net assets of the District at June 30, 2011 is \$3,190,616. This balance was comprised of a \$556,762 balance in net asset amounts restricted for specific purposes, and \$2,633,854 in unrestricted net assets.

In total, net assets of governmental activities decreased by \$208,491, which represents a 6.35 percent decrease from 2010. Net assets of the business-type activities increased \$18,694 which represents a 19.44 percent increase from 2010.

General receipts accounted for \$5,835,799 or 81.58 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$1,317,650 or 18.42 percent of total receipts of \$7,153,449 for the governmental activities.

The District had \$7,361,940 in disbursements related to governmental activities; only \$1,317,650 of these disbursements were offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes and grants and entitlements) of \$5,835,799 were used to provide for the remainder of these programs.

The District had \$272,978 in disbursements related to business-type activities; \$290,302 of these disbursements were offset by program specific charges for services and sales, operating grants and contributions.

The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the District combined. The General Fund had \$6,235,518 in receipts and \$6,288,163 in disbursements in fiscal year 2011.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing cash and net assets. Table 1 provides a summary of the District's net assets for 2011 compared to fiscal year 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Assets:</u>						
Cash and Cash Equivalents	\$3,075,749	\$3,284,240	\$114,867	\$96,173	\$3,190,616	\$3,380,413
<i>Total Assets</i>	3,075,749	3,284,240	114,867	96,173	3,190,616	3,380,413
<u>Net Assets:</u>						
Restricted	556,762	722,995	0	0	556,762	722,995
Unrestricted	2,518,987	2,561,245	114,867	96,173	2,633,854	2,657,418
<i>Total Net Assets</i>	\$3,075,749	\$3,284,240	\$114,867	\$96,173	\$3,190,616	\$3,380,413

Total Cash and Cash Equivalents decreased \$189,797 from fiscal year 2010 due primarily to the increase in disbursements for regular instruction which resulted in the total disbursements exceeding receipts.

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

The remaining balance of \$556,762 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011 and provides a comparison to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$432,780	\$334,959	\$122,812	\$141,190	\$555,592	\$476,149
Operating Grants and Contributions	884,870	859,680	167,490	164,452	1,052,360	1,024,132
<i>General Receipts:</i>						
Property Taxes	3,181,051	3,061,403	0	0	3,181,051	3,061,403
Income Taxes	1,086,697	1,091,671	0	0	1,086,697	1,091,671
Unrestricted Grants and Entitlements	1,518,682	1,536,822	0	0	1,518,682	1,536,822
Investments Earnings	7,028	14,915	0	0	7,028	14,915
Miscellaneous	42,341	46,533	1,370	3,405	43,711	49,938
<i>Total Receipts</i>	7,153,449	6,945,983	291,672	309,047	7,445,121	7,255,030
<u>Disbursements:</u>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,245,079	3,109,577	0	0	3,245,079	3,109,577
Special	811,865	836,395	0	0	811,865	836,395
Vocational	72,720	70,243	0	0	72,720	70,243

(Continued)

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<i>Support Services:</i>						
Pupils	210,768	255,924	0	0	210,768	255,924
Instructional Staff	260,475	139,436	0	0	260,475	139,436
Board of Education	149,132	149,012	0	0	149,132	149,012
Administration	443,410	459,619	0	0	443,410	459,619
Fiscal	447,727	424,648	0	0	447,727	424,648
Business	1,133	1,193	0	0	1,133	1,193
Operation and Maintenance of Plant	637,885	1,609,819	0	0	637,885	1,609,819
Pupil Transportation	357,835	448,173	0	0	357,835	448,173
Central	14,300	12,094	0	0	14,300	12,094
Non-Instructional	0	4,202	0	0	0	4,202
Extracurricular Activities	228,487	204,886	0	0	228,487	204,886
Principal Retirement	225,000	215,000	0	0	225,000	215,000
Interest and Fiscal Charges	256,124	267,704	0	0	256,124	267,704
Food Service	0	0	272,978	281,791	272,978	281,791
Uniform School Supplies	0	0	0	14,037	0	14,037
<i>Total Disbursements</i>	<u>7,361,940</u>	<u>8,207,925</u>	<u>272,978</u>	<u>295,828</u>	<u>7,634,918</u>	<u>8,503,753</u>
<i>Changes in Net Assets</i>	(208,491)	(1,261,942)	18,694	13,219	(189,797)	(1,248,723)
<i>Net Assets at Beginning of Year (Restated)</i>	<u>3,284,240</u>	<u>4,546,182</u>	<u>96,173</u>	<u>82,954</u>	<u>3,380,413</u>	<u>4,629,136</u>
<i>Net Assets at End of Year</i>	<u><u>\$3,075,749</u></u>	<u><u>\$3,284,240</u></u>	<u><u>\$114,867</u></u>	<u><u>\$96,173</u></u>	<u><u>\$3,190,616</u></u>	<u><u>\$3,380,413</u></u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Fiscal and Administration. These programs account for 75.88 percent of the total governmental activities. Regular Instruction, which accounts for 44.08 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 11.03 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 8.67 percent of the total, represents costs associated with operating and maintaining the District's facilities. Fiscal, which represents 6.08 percent of the total, represents costs associated with providing fiscal services rendered by persons in the Treasurer's office. Administration, which represents 6.02 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 80.89 percent of total receipts for governmental activities.

As noted previously, the net assets for the governmental activities decreased \$208,491 or 6.35 percent. This is an increase from last year when net assets decreased \$1,261,942 or 27.76 percent. Governmental activities receipts increased \$207,466 or 2.99 percent over last year and disbursements decreased \$845,985 or 10.31 percent over last year.

The District had program receipt increases for Governmental Activities of \$123,011, as well as an increase in general receipts of \$84,455. The increase in general receipts is mostly due to the increase in operating grants.

The total disbursements for governmental activities decreased \$845,985 due to a decrease of \$971,934 in operation and maintenance of plant. The majority of the decrease is the result of improvements to facilities that were done in fiscal year 2010.

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

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes and intergovernmental receipts and, like most Ohio schools, is hampered by a lack of revenue growth. However, property taxes made up 44.47 percent, income taxes made up 15.19 percent and unrestricted intergovernmental receipts made up 21.23 percent of the total receipts for the governmental activities in fiscal year 2011.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall receipts generated by a levy will not increase solely as a result of inflation until the millage rate has been reduced to 2 mills. The District's operating millage rate is currently at 2 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

The District's income tax receipts consist of a 1.25 percent voted income tax levy. During fiscal year 2011, the District received \$1,086,697, which represents 15.19 percent of the total receipts for the governmental activities.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

The District's intergovernmental receipts consist of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2011, the District received \$1,362,078 through the State's foundation program, which represents 19.04 percent of the total receipts for the governmental activities. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 56.09 percent of governmental activities program disbursements. Support services expenses make up 34.27 percent of governmental activities program disbursements. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Business-Type Activities

Business-type activities consist of food service. Program receipts total \$290,302 and disbursements total \$272,978 for fiscal year 2011. 42.30 percent of program receipts were from fees for the food service program.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2011 and comparison to fiscal year 2010. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$4,129,664	\$3,086,023	\$4,016,215	\$3,084,858
Support Services	2,522,665	2,281,677	3,499,918	3,268,388
Non-Instructional Services	0	0	4,202	4,202
Extracurricular Activities	228,487	195,466	204,886	173,134
Principal Retirement	225,000	225,000	215,000	215,000
Interest and Fiscal Charges	256,124	256,124	267,704	267,704
<i>Business-Type Activities:</i>				
Food Service	272,978	(17,324)	281,791	(9,794)
Uniform School Supplies	0	0	14,037	(20)
Total Disbursements	<u>\$7,634,918</u>	<u>\$6,026,966</u>	<u>\$8,503,753</u>	<u>\$7,003,472</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$7,153,449 and disbursements of \$7,361,940.

Total governmental funds fund balance decreased by \$208,491. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$102,645, which occurred as a result of an increase in transfers out and the disbursements exceeding receipts during fiscal year 2011.

The District should remain stable through fiscal year 2012. However, projections beyond fiscal year 2012 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of the fiscal year, the District amended its General Fund budget several times. The District uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and supervisors flexibility for program management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis receipts were \$6,234,572 representing no increase from the original budget estimates. For the General Fund, the final budget basis disbursements were \$7,464,484 representing an increase of \$190,562 from the original budget estimates of \$7,273,922. The final budget reflected a 2.62 percent increase from the original budgeted amount. The majority of this difference is the result of a low estimate for regular instruction on the original budget.

Debt Administration

At June 30, 2011, the District had \$4,950,000 in general obligation debt outstanding with \$240,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 4

Outstanding Debt, Governmental Activities at Year End

Purpose	2011	2010
1995 School Improvement Bonds	2,000,000	2,145,000
Certificates of Participation Project	2,950,000	3,030,000
Total	<u>\$4,950,000</u>	<u>\$5,175,000</u>

More detailed information pertaining to the District's long-term debt activity can be found in the Note 12 to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Economic Factors

The DeRolf IV decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected increases thus generating about the same revenue. Taxes made up 59.66 percent of revenues for governmental activities for the District in fiscal year 2011. Of this 59.66 percent, 15.19 percent was School District Income Tax. The District's income tax is a 10 year levy and runs from 2005 through calendar year 2014. The State still has not fixed the funding system although there is hope for some changes as the result of any recommendations from the Governor's Blue Ribbon Task Force created as a result of DeRolf IV.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Kirk Grandy, Treasurer of Walnut Township Local School District, 11850 Lancaster Street, Millersport, Ohio 43046.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,075,749	\$114,867	3,190,616
<i>Total Assets</i>	<u>3,075,749</u>	<u>114,867</u>	<u>3,190,616</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Debt Service	359,661	0	359,661
Set Asides	146,528	0	146,528
Other Purposes	50,573	0	50,573
Unrestricted	<u>2,518,987</u>	<u>114,867</u>	<u>2,633,854</u>
<i>Total Net Assets</i>	<u><u>\$3,075,749</u></u>	<u><u>\$114,867</u></u>	<u><u>\$3,190,616</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>						
<i>Instruction:</i>						
Regular	\$3,245,079	\$398,982	\$234,921	(\$2,611,176)	\$0	(\$2,611,176)
Special	811,865	0	408,605	(403,260)	0	(403,260)
Vocational	72,720	0	1,133	(71,587)	0	(71,587)
<i>Support Services:</i>						
Pupils	210,768	0	0	(210,768)	0	(210,768)
Instructional Staff	260,475	0	30,009	(230,466)	0	(230,466)
Board of Education	149,132	0	0	(149,132)	0	(149,132)
Administration	443,410	777	3,885	(438,748)	0	(438,748)
Fiscal	447,727	0	8,885	(438,842)	0	(438,842)
Business	1,133	0	0	(1,133)	0	(1,133)
Operation and Maintenance of Plant	637,885	0	0	(637,885)	0	(637,885)
Pupil Transportation	357,835	0	192,882	(164,953)	0	(164,953)
Central	14,300	0	4,550	(9,750)	0	(9,750)
Extracurricular Activities	228,487	33,021	0	(195,466)	0	(195,466)
<i>Debt Service:</i>						
Principal Retirement	225,000	0	0	(225,000)	0	(225,000)
Interest and Fiscal Charges	256,124	0	0	(256,124)	0	(256,124)
Total Governmental Activities	7,361,940	432,780	884,870	(6,044,290)	0	(6,044,290)
<i>Business-Type Activities:</i>						
Food Service	272,978	122,812	167,490	0	17,324	17,324
Total Business-Type Activities	272,978	122,812	167,490	0	17,324	17,324
Totals	\$7,634,918	\$555,592	\$1,052,360	(6,044,290)	17,324	(6,026,966)
<i>General Receipts:</i>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,937,975	0	2,937,975
Debt Service				243,076	0	243,076
Income Taxes				1,086,697	0	1,086,697
Grants and Entitlements not Restricted to Specific Programs				1,518,682	0	1,518,682
Investment Earnings				7,028	0	7,028
Miscellaneous				42,341	1,370	43,711
Total General Receipts				5,835,799	1,370	5,837,169
Change in Net Assets				(208,491)	18,694	(189,797)
<i>Net Assets at Beginning of Year (Restated)</i>				3,284,240	96,173	3,380,413
<i>Net Assets at End of Year</i>				\$3,075,749	\$114,867	\$3,190,616

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,459,621	\$359,661	\$109,939	\$2,929,221
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	<u>146,528</u>	<u>0</u>	<u>0</u>	<u>146,528</u>
<i>Total Assets</i>	<u><u>\$2,606,149</u></u>	<u><u>\$359,661</u></u>	<u><u>\$109,939</u></u>	<u><u>\$3,075,749</u></u>
<u>Fund Balances:</u>				
Nonspendable	\$0	\$0	\$0	\$0
Restricted	146,528	359,661	50,573	556,762
Committed	0	0	59,366	59,366
Assigned	57,101	0	0	57,101
Unassigned	<u>2,402,520</u>	<u>0</u>	<u>0</u>	<u>2,402,520</u>
<i>Total Fund Balances</i>	<u><u>\$2,606,149</u></u>	<u><u>\$359,661</u></u>	<u><u>\$109,939</u></u>	<u><u>\$3,075,749</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$2,937,975	\$243,076	\$0	\$3,181,051
Income Taxes	1,086,697	0	0	1,086,697
Intergovernmental	1,776,146	34,559	592,847	2,403,552
Interest	7,028	0	0	7,028
Tuition and Fees	398,982	0	0	398,982
Extracurricular Activities	777	0	33,021	33,798
Miscellaneous	27,913	0	14,428	42,341
<i>Total Receipts</i>	<u>6,235,518</u>	<u>277,635</u>	<u>640,296</u>	<u>7,153,449</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	2,918,579	0	326,500	3,245,079
Special	496,885	0	314,980	811,865
Vocational	72,720	0	0	72,720
<i>Support Services:</i>				
Pupils	210,768	0	0	210,768
Instructional Staff	228,832	0	31,643	260,475
Board of Education	149,132	0	0	149,132
Administration	439,797	0	3,613	443,410
Fiscal	436,393	4,294	7,040	447,727
Business	1,133	0	0	1,133
Operation and Maintenance of Plant	567,643	0	70,242	637,885
Pupil Transportation	357,835	0	0	357,835
Central	9,750	0	4,550	14,300
Extracurricular Activities	191,067	0	37,420	228,487
<i>Debt Service:</i>				
Principal Retirement	80,000	145,000	0	225,000
Interest and Other Fiscal Charges	127,629	128,495	0	256,124
<i>Total Disbursements</i>	<u>6,288,163</u>	<u>277,789</u>	<u>795,988</u>	<u>7,361,940</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(52,645)</u>	<u>(154)</u>	<u>(155,692)</u>	<u>(208,491)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	50,000	50,000
Transfers Out	(50,000)	0	0	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(102,645)	(154)	(105,692)	(208,491)
<i>Fund Balances at Beginning of Year (Restated)</i>	<u>2,708,794</u>	<u>359,815</u>	<u>215,631</u>	<u>3,284,240</u>
<i>Fund Balances at End of Year</i>	<u>\$2,606,149</u>	<u>\$359,661</u>	<u>\$109,939</u>	<u>\$3,075,749</u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$2,937,974	\$2,937,974	\$2,937,975	\$1
Income Taxes	1,086,697	1,086,697	1,086,697	0
Intergovernmental	1,776,145	1,776,145	1,776,146	1
Interest	7,000	7,000	7,028	28
Tuition and Fees	398,652	398,652	398,982	330
Extracurricular Activities	777	777	777	0
Miscellaneous	27,327	27,327	27,913	586
<i>Total Receipts</i>	6,234,572	6,234,572	6,235,518	946
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,318,827	3,462,023	2,922,242	539,781
Special	675,869	677,869	502,813	175,056
Vocational	80,869	80,869	72,720	8,149
<i>Support Services:</i>				
Pupils	233,360	236,360	210,825	25,535
Instructional Staff	253,345	253,645	229,350	24,295
Board of Education	195,182	195,182	164,820	30,362
Administration	488,433	488,852	440,055	48,797
Fiscal	484,848	487,848	436,717	51,131
Business	2,000	2,000	1,133	867
Operation and Maintenance of Plant	663,835	676,481	573,864	102,617
Pupil Transportation	433,123	437,124	371,319	65,805
Central	17,870	19,870	11,561	8,309
Extracurricular Activities	218,730	238,730	191,927	46,803
<i>Debt Service:</i>				
Principal	80,000	80,000	80,000	0
Interest	127,631	127,631	127,629	2
<i>Total Disbursements</i>	7,273,922	7,464,484	6,336,975	1,127,509
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,039,350)	(1,229,912)	(101,457)	1,128,455
<u>Other Financing (Uses):</u>				
Transfers Out	(1,495,080)	(1,478,880)	(50,000)	1,428,880
<i>Total Other Financing (Uses)</i>	(1,495,080)	(1,478,880)	(50,000)	1,428,880
<i>Excess of Receipts and Other Financing Sources</i> <i>Over (Under) Disbursements and Other Financing Uses</i>	(2,534,430)	(2,708,792)	(151,457)	2,557,335
<i>Fund Balance at Beginning of Year</i>	2,630,803	2,630,803	2,630,803	0
Prior Year Encumbrances Appropriated	77,989	77,989	77,989	0
<i>Fund Balance at End of Year</i>	\$174,362	\$0	\$2,557,335	\$2,557,335

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

June 30, 2011

	<u>Enterprise Funds</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$114,867</u>
<i>Total Assets</i>	<u>114,867</u>
<u>Net Assets:</u>	
Unrestricted	<u>114,867</u>
<i>Total Net Assets</i>	<u><u>\$114,867</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
*Statement of Cash Receipts,
Cash Disbursements and Changes in Cash Basis Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011*

	Enterprise Funds
<u>Operating Receipts:</u>	
Charges for Services	\$122,812
Other Revenues	1,370
	124,182
<i>Total Operating Receipts</i>	124,182
<u>Operating Disbursements:</u>	
Salaries	96,056
Fringe Benefits	44,952
Purchased Services	1,184
Materials and Supplies	126,802
Capital Outlay	3,984
	272,978
<i>Total Operating Disbursements</i>	272,978
<i>Operating Loss</i>	(148,796)
<u>Nonoperating Receipts:</u>	
Federal and State Subsidies	167,490
	167,490
<i>Total Nonoperating Receipts</i>	167,490
<i>Change in Net Assets</i>	18,694
<i>Net Assets at Beginning of Year (Restated)</i>	96,173
<i>Net Assets at End of Year</i>	\$114,867

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Fund
June 30, 2011

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,251</u>
<u>Liabilities:</u>	
Due to Students	<u>14,251</u>
<i>Total Liabilities</i>	<u><u>\$14,251</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Walnut Township Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's facilities staffed by 28 classified and 50 teaching personnel and 4 administrative employees providing education to approximately 635 students.

Reporting Entity

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

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

The District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Education Council, Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. Although Ohio Administrative Code Section 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

A. Basis of Presentation

The District's basic financial statement consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major governmental funds:

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

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

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

Proprietary Funds

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows. The District's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The proprietary funds of the District account for transactions related to the food service operations and the sale of school supplies.

Fiduciary Fund

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

C. Measurement Focus

Government-Wide Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Fund Financial Statements

Only cash is included on the balance sheet. The statement of receipts, disbursements and changes in fund balance reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of cash.

D. Basis of Accounting

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2011 (See Note 4).

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2011.

F. Inventory

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

G. Cash and Cash Equivalents

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

The District credits interest to the General Fund. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$7,028, which includes \$1,412 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2011, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for textbooks and instructional materials and capital improvements.

I. Capital Assets

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

J. Interfund Transactions

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

K. Compensated Absences

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

L. Long-Term Obligations

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District first applies restricted resources when a disbursement is paid for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

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

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

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

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

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

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

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

O. Operating Receipts and Disbursements

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS

Changes in Accounting Principles

For fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year's Fund Balance and Net Assets

During 2011, it was determined that the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Nonmajor Governmental Fund</u>
Fund Balances, June 30, 2010	\$2,688,124	\$224,461
GASB 54 Change in Fund Structure	<u>20,670</u>	<u>(8,830)</u>
Adjusted Fund Balances, June 30, 2010	<u><u>\$2,708,794</u></u>	<u><u>\$215,631</u></u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS - (Continued)

	Nonmajor Enterprise Fund	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>	<u> </u>
Net Assets, June 30, 2010	\$108,013	\$3,272,400	\$108,013
GASB 54 Change in Fund Structure	<u>(11,840)</u>	<u>11,840</u>	<u>(11,840)</u>
Adjusted Net Assets, June 30, 2010	<u>\$96,173</u>	<u>\$3,284,240</u>	<u>\$96,173</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance - Budget and Actual - Budget Basis presented for the General Fund, is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The only difference between the budgetary basis and the cash basis is that encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance.

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2011:

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

	<u>General</u>
Cash Basis	(\$102,645)
Adjustments:	
Encumbrances	<u>(48,812)</u>
Budgetary Basis	<u>(\$151,457)</u>

NOTE 5 -DEPOSITS AND INVESTMENTS

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

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 5 -DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 5 -DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

Deposits: At June 30, 2011, the carrying amount of all the District deposits were \$3,204,842. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2011, \$2,461,107 of the District's bank balance of \$3,211,107 was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, 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 December 31 of the current year. Tangible personal property assessments are twelve and one half percent of true value. The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$123,195,690	92.13%	\$125,888,040	91.76%
Public Utility Personal	10,440,350	7.81%	11,272,030	8.22%
Tangible Personal Property	82,170	0.06%	38,220	0.02%
Total Assessed Value	<u>\$133,718,210</u>	<u>100.0%</u>	<u>\$137,198,290</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation		\$33.70		\$ 33.70

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

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 7 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents. The tax became effective on January 1, 2005, and continues for ten years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts of \$1,086,697 are credited to the General Fund for fiscal year 2011.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Tom Jones Insurance Agency, Inc. for property and fleet insurance and Ohio School Plan for liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$18,699,364
Inland Marine Coverage (\$250 deductible)	78,855
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
<i>General Liability:</i>	
Per Occurrence	1,000,000
Total Per Year	3,000,000
<i>Public Official Bonds:</i>	
Treasurer	50,000
Superintendent	25,000
Board President	25,000
Public Employee Dishonesty	5,000

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

Workers' Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746 or by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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 rate for the District 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 2011, 11.81 percent of annual covered salary was 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$153,182, \$115,420, and \$104,648, respectively; 37.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$95,145 representing the unpaid contribution for fiscal year 2011.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 9- DEFINED BENEFIT PENSION PLANS- (Continued)

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, 2011, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. Of the District's contribution, 13 percent was used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by 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 contributions for pension obligations to DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$494,987, \$374,433, and \$364,433, respectively; 81.75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$90,337 representing the unpaid contribution for fiscal year 2011.

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, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888)227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent contribution is the maximum rate allowed under Ohio law.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 10- POST-EMPLOYMENT BENEFITS- (Continued)

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$38,076, \$28,803 and \$28,033 respectively; 100 percent has been contributed for years 2011, 2010, and 2009.

School Employees Retirement System

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

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Medicare B Plan - This plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. Walnut Township Local School District's contributions for the years ended June 30, 2011, 2010 and 2009 were, \$1,380, \$961 and \$1,117, respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. Walnut Township Local School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$38,076, \$20,883 and \$54,107, respectively.

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 - OTHER EMPLOYEE BENEFITS

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Compensated Absences

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

Insurance Benefits

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

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the governmental activities long-term obligations of the District during fiscal year 2011 were as follows:

Governmental Activities	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Due in One Year</u>
General Obligation Bonds	1995	5.77%	\$2,145,000	\$0	\$145,000	\$2,000,000	155,000
Certificates of Participation	2007	4.52%	3,030,000	0	80,000	2,950,000	85,000
Total Government Activities			<u>\$5,175,000</u>	<u>\$0</u>	<u>\$225,000</u>	<u>\$4,950,000</u>	<u>\$240,000</u>

The bond issue outstanding relates to a project approved in 1995, for which bonds were issued in the amount of \$3,550,000, for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,000,000 with an interest rate of 5.77%.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The certificates of participation outstanding relates to a project approved in 2007, which were issued in the amount of \$3,195,000 and are for the purpose of renovating, repairing and improving school facilities. These certificates mature in December 2033, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,950,000 with an interest rate of 4.52%.

Principal and interest requirements, which are paid out of the General Fund and Debt Service Fund, to retire general obligation debt outstanding at June 30, 2011 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2012	\$155,000	\$119,195	\$85,000	\$124,538	\$483,733
2013	160,000	109,430	90,000	121,256	480,686
2014	170,000	99,200	90,000	117,769	476,969
2015	180,000	88,350	95,000	114,069	477,419
2016	190,000	76,880	100,000	110,169	477,049
2017-2021	1,145,000	185,225	555,000	485,675	2,370,900
2022-2026	0	0	690,000	354,616	1,044,616
2027-2031	0	0	850,000	186,713	1,036,713
2032-2033	0	0	395,000	17,888	412,888
Total	<u>\$2,000,000</u>	<u>\$678,280</u>	<u>\$2,950,000</u>	<u>\$1,632,693</u>	<u>\$7,260,973</u>

The District's overall legal debt margin was \$10,347,846 with an unvoted debt margin of \$137,198 at June 30, 2011.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 13 – FUND BALANCES

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted:</i>				
Set Asides	\$146,528	\$0	\$0	\$146,528
Scholarships/Trust	0	0	19,131	19,131
<i>Special Revenues:</i>	0	0	3,498	3,498
State Grants	0	0	13,315	13,315
Athletics	0	0	14,629	14,629
Debt Service	0	359,661	0	359,661
<i>Committed:</i>				
Termination Benefits	0	0	59,366	59,366
<i>Assigned:</i>				
Encumbrances	41,659	0	0	41,659
Public School Support	15,442	0	0	15,442
<i>Unassigned</i>	<u>2,402,520</u>	<u>0</u>	<u>0</u>	<u>2,402,520</u>
Total Fund Balances	<u>\$2,606,149</u>	<u>\$359,661</u>	<u>\$109,939</u>	<u>\$3,075,749</u>

NOTE 14- STATUTORY SET ASIDES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Effective April 10, 2001, Senate Bill 345 eliminated the Statutory requirement for a budget reserve; however, the amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 14- STATUTORY SET ASIDES- (Continued)

The following cash basis information describes the change in the fiscal year end set aside amounts for textbook and instructional materials and capital improvement. Disclosure of this information is required by State statute.

	Textbook and Instructional Materials	Capital Improvement	Totals
Set Aside Balances Carried Forward as of June 30, 2010	\$127,483	\$8,450	\$135,933
FY 2011 Set Aside Required	97,446	97,446	194,892
FY 2011 Qualifying Disbursements	<u>(85,663)</u>	<u>(98,634)</u>	<u>(184,297)</u>
Set Aside Balances Carried Forward to FY 2011	<u>139,266</u>	<u>7,262</u>	<u>146,528</u>
Set Aside Reserve Balances at June 30, 2011	<u>\$139,266</u>	<u>\$7,262</u>	
Total Restricted Assets			<u>\$146,528</u>

The District had qualifying disbursements during the year that reduced the capital improvement set aside amounts to zero. For the textbook and instructional materials set aside, if expenditures exceed current year or accumulated set aside requirements, or if the actual reserve cash balance exceeds the set aside requirements, the excess may be carried forward to offset future textbook set aside requirements. The District had excess amounts during the year that can be carried forward to future set aside requirements.

NOTE 15 – ENCUMBRANCE COMMITMENTS

At June 30, 2011, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$48,812
<u>Nonmajor Funds</u>	
Athletics	4,000
Title I Grant	<u>2,962</u>
Total Nonmajor Funds	<u>6,962</u>
Total Encumbrances	<u>\$55,774</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 16- JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Central Ohio Special Education Regional Resource Center (COSERRC)

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

NOTE 17- INSURANCE PURCHASING POOL

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

NOTE 18 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 23,034	\$ 23,034
School Breakfast Program	10.553	35,823	35,823
National School Lunch Program	10.555	127,807	127,807
Total Nutrition Cluster		<u>186,664</u>	<u>186,664</u>
Total U.S. Department of Agriculture		<u>186,664</u>	<u>186,664</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education_Grants to States Program	84.027	118,608	118,608
ARRA - Special Education_Grants to States Program	84.391	32,691	32,691
Total Special Education Cluster		<u>151,299</u>	<u>151,299</u>
Title I Cluster:			
Title I Grants to Local Educational Agencies Program	84.010	162,381	163,617
ARRA - Title I Grants to Local Educational Agencies	84.389	31,885	36,051
Total Title I Grants Cluster		<u>194,266</u>	<u>199,668</u>
Education Jobs Fund	84.410	88,764	88,764
ARRA - Race to the Top	84.395	2,612	2,070
Education Technology State Grants Program	84.318	457	457
Improving Teacher Quality State Grants Program	84.367	28,966	28,966
ARRA -State Fiscal Stabilization Fund	84.394	116,934	116,934
Total U.S. Department of Education		<u>583,297</u>	<u>588,157</u>
Totals		<u>\$ 769,962</u>	<u>\$ 774,821</u>

The accompanying notes to this schedule are an integral part of this schedule.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Walnut Township Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles and the District adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Education, Finance Committee, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 2, 2011



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Walnut Township Local School District (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 could directly and materially affect each of Walnut Township Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

In our opinion, the Walnut Township Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the finance committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

November 2, 2011

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grant Program Including ARRA Funds (CFDA #84.010 & #84.389) Nutrition Cluster (CFDA #10.553 & 10.555) Education Stabilization (CFDA #84.394)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)

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

FINDING NUMBER 2011-001

Noncompliance Finding - Ohio Administration Code

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The District is subject to fines and various other administrative remedies. We recommend the District prepare its financial statements in accordance with the generally accepted accounting principles.

Official's Response:

District officials made a financial decision not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeds the benefit.

3. FINDINGS FOR FEDERAL AWARDS

None noted.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Financial Statements not being prepared in accordance with GAAP – OAC 117-2-03(B).	No	Repeated as Finding 2011-001

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lancaster City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 11, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

November 2, 2011

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WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 22, 2011