



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2013**



**Dave Yost • Auditor of State**



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Basis for Qualified Opinion on the Aggregate Remaining Fund Information***

Athletic receipts consisted of \$79,473, which is 15 percent of operating revenue for the year ended June 30, 2013. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as athletic revenue for the year ended June 30, 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion on the Aggregate Remaining Fund Information***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2013, and the respective changes in cash financial position for the years then ended in accordance with the accounting basis described in Note 2.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, and each major fund of Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Award Receipts and Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 8, 2014

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*(Unaudited)*

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The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

Total net position of the District at June 30, 2013 is \$1,967,534. This balance was comprised of a \$451,462 balance in net position amounts restricted for specific purposes, and \$1,515,972 in unrestricted net position.

In total, net position of governmental activities decreased by \$706,380, which represents a 27.60 percent decrease from 2012. Net position of the business-type activities decreased \$16,545 which represents a 12.61 percent increase from 2012.

General receipts accounted for \$6,201,078 or 84.77 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 \$1,114,170 or 15.23 percent of total receipts of \$7,315,248 for the governmental activities.

The District had \$8,021,628 in disbursements related to governmental activities; only \$1,114,170 of these disbursements were offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes and grants and entitlements) of \$6,201,078 were used to provide for the remainder of these programs.

The District had \$302,113 in disbursements related to business-type activities; \$283,285 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 \$6,505,864 in receipts and \$7,238,653 in disbursements in fiscal year 2013.

**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, 2013*  
*(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances 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 position presents information on the District's cash and net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

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

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

**Governmental Activities**

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

**Business-Type Activities**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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

**Fund Financial Statements**

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

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

**Governmental Funds**

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

**Proprietary Funds**

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, 2013*  
*(Unaudited)*

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing cash and net position. Table 1 provides a summary of the District's net position for 2013 compared to fiscal year 2012:

Table 1

**Net Position at Year End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>Assets:</u></b>						
Cash and Cash Equivalents	\$1,852,873	\$2,559,253	\$114,661	\$131,206	\$1,967,534	\$2,690,459
<i>Total Assets</i>	<u>1,852,873</u>	<u>2,559,253</u>	<u>114,661</u>	<u>131,206</u>	<u>1,967,534</u>	<u>2,690,459</u>
<b><u>Net Position:</u></b>						
Restricted	451,462	425,479	0	0	451,462	425,479
Unrestricted	<u>1,401,311</u>	<u>2,133,774</u>	<u>114,661</u>	<u>131,206</u>	<u>1,515,972</u>	<u>2,264,980</u>
<i>Total Net Position</i>	<u>\$1,852,773</u>	<u>\$2,559,253</u>	<u>\$114,661</u>	<u>\$131,206</u>	<u>\$1,967,434</u>	<u>\$2,690,459</u>

Total Cash and Cash Equivalents decreased \$722,925 from fiscal year 2012 due primarily to the increase in disbursements exceeding the increase in receipts.

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

The remaining balance of \$451,462 is restricted assets. The restricted net position is subject to external restrictions on how they may be used.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2013 and provides a comparison to fiscal year 2012.

Table 2

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
<b><i>Receipts:</i></b>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$539,633	\$493,228	\$113,587	\$123,844	\$653,220	\$617,072
Operating Grants and Contributions	574,537	478,816	169,698	173,878	774,335	652,694
<i>General Receipts:</i>						
Property Taxes	3,281,058	3,199,505	0	0	3,281,058	3,199,505
Income Taxes	1,138,073	1,148,416	0	0	1,138,073	1,148,416
Unrestricted Grants and Entitlement	1,710,903	1,664,470	0	0	1,710,903	1,664,470
Investments Earnings	4,188	3,957	0	0	4,188	3,957
Miscellaneous	66,856	80,225	2,283	1,772	66,856	81,997
<i>Total Receipts</i>	7,315,248	7,068,617	285,568	299,494	7,628,633	7,368,111

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

Table 2

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><i>Disbursements:</i></b>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,420,422	3,222,973	0	0	3,420,422	3,222,973
Special	1,133,769	907,489	0	0	1,133,769	907,489
Vocational	78,705	77,875	0	0	78,705	77,875
<i>Support Services:</i>						
Pupils	217,352	222,352	0	0	217,352	222,352
Instructional Staff	215,606	266,397	0	0	215,606	266,397
Board of Education	150,228	157,503	0	0	150,228	157,503
Administration	521,410	510,996	0	0	521,410	510,996
Fiscal	408,240	461,102	0	0	408,240	461,102
Business	1,075	1,176	0	0	1,075	1,176
Operation and Maintenance of Plant	651,009	642,744	0	0	651,009	642,744
Pupil Transportation	442,958	382,835	0	0	442,958	382,835
Central	17,944	12,378	0	0	17,944	12,378
Extracurricular Activities	282,224	235,560	0	0	282,224	235,560
Principal Retirement	250,000	240,000	0	0	250,000	240,000
Interest and Fiscal Charges	230,686	243,733	0	0	230,686	243,733
Food Service	0	0	302,113	283,155	302,113	283,155
<b><i>Total Disbursements</i></b>	<b>8,021,628</b>	<b>7,585,113</b>	<b>302,113</b>	<b>283,155</b>	<b>8,323,741</b>	<b>7,868,268</b>
<b><i>Changes in Net Position</i></b>	<b>(706,380)</b>	<b>(516,496)</b>	<b>(16,545)</b>	<b>16,339</b>	<b>(722,925)</b>	<b>(500,157)</b>
<b><i>Net Position at Beginning of Year</i></b>	<b>2,559,253</b>	<b>3,075,749</b>	<b>131,206</b>	<b>114,867</b>	<b>2,690,459</b>	<b>3,190,616</b>
<b><i>Net Position at End of Year</i></b>	<b>\$1,852,873</b>	<b>\$2,559,253</b>	<b>\$114,661</b>	<b>\$131,206</b>	<b>\$1,967,534</b>	<b>\$2,690,459</b>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

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The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Pupil Transportation. These programs account for 77.48 percent of the total governmental activities. Regular Instruction, which accounts for 42.96 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 14.24 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 8.18 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.55 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupil Transportation, which represents 5.56 percent of the total, represents costs associated with transporting students to and from school, as well as to activities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 84.72 percent of total receipts for governmental activities.

As noted previously, the net position for the governmental activities decreased \$706,380 or 27.60 percent. This is a decrease from last year when net position decreased \$516,496 or 16.79 percent. Governmental activities receipts increased \$246,631 or 3.50 percent over last year and disbursements increased \$377,192 or 4.97 percent over last year.

The District had program receipt increases for Governmental Activities of \$62,653, as well as an increase in general receipts of \$104,505. The increase in program receipts is mostly due to a increase in charges for services and sales and the increase in general receipts is mostly due to the increase in property taxes.

The total disbursements for governmental activities increased \$377,192 due to an increase of \$226,280 in special instructions and \$197,449 in regular instruction.

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

As noted previously, the net position for the business-type decreased \$16,545 or 12.61 percent. This is a decrease from last year when net position increased \$16,339 or 14.22 percent. Business-type activities receipts decreased \$13,926 or 4.65 percent over last year and disbursements increased \$18,958 or 6.70 percent over last year.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes and intergovernmental receipts and, like most Ohio schools, is hampered by a lack of revenue growth. However, property taxes made up 45.34 percent, income taxes made up 15.73 percent and unrestricted intergovernmental receipts made up 23.65 percent of the total receipts for the governmental activities in fiscal year 2013.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

The District's income tax receipts consist of a 1.25 percent voted income tax levy. During fiscal year 2013, the District received \$1,138,073, which represents 15.73 percent of the total receipts for the governmental activities.

The District's intergovernmental receipts consist of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2013, the District received \$1,271,590 through the State's foundation program, which represents 17.57 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 58.19 percent of governmental activities program disbursements. Support services expenses make up 32.98 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 \$283,285 and disbursements total \$302,113 for fiscal year 2013. 40.10 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 2013 and comparison to fiscal year 2012. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

Table 3  
**Net Cost of Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
<b><u>Program Disbursements:</u></b>				
<i>Governmental Activities:</i>				
Instruction	\$4,632,896	\$3,710,872	\$4,208,337	\$3,336,377
Support Services	2,625,822	2,555,533	2,657,483	2,605,109
Extracurricular Activities	282,224	160,367	235,560	187,850
Principal Retirement	250,000	250,000	240,000	240,000
Interest and Fiscal Charges	230,686	230,686	243,733	243,733
<i>Business-Type Activities:</i>				
Food Service	<u>302,113</u>	<u>18,828</u>	<u>283,155</u>	<u>(14,567)</u>
Total Disbursements	<u>\$8,323,741</u>	<u>\$6,926,286</u>	<u>\$7,868,268</u>	<u>\$6,598,502</u>



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$7,315,248 and disbursements of \$8,021,628.

Total governmental funds fund balance decreased by \$706,380. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$732,789, which occurred as a result of the disbursements exceeding receipts during fiscal year 2013.

The District should remain stable through fiscal year 2014. However, projections beyond fiscal year 2014 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

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

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

For the General Fund, the final budget basis receipts were \$6,424,886 representing an increase of \$231,662 from the original budget estimates of \$6,193,224. For the General Fund, the final budget basis disbursements were \$7,299,083 representing an increase of \$141,102 from the original budget estimates of \$7,157,981. The final budget reflected a 1.27 percent increase from the original budgeted amount. The majority of this difference is the result of a low estimate for operation and maintenance of plant disbursements on the original budget.

**Debt Administration**

At June 30, 2013, the District had \$4,460,000 in general obligation debt outstanding with \$260,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2013 compared to fiscal year 2012.

Table 4

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

Purpose	2013	2012
1995 School Improvement Bonds	\$1,685,000	\$1,845,000
Certificates of Participation Project	2,775,000	2,865,000
Total	<u>\$4,460,000</u>	<u>\$4,710,000</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, 2013  
(Unaudited)*

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**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 61.07 percent of revenues for governmental activities for the District in fiscal year 2013. Of this 61.07 percent, 15.73 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, Walnut Township Local School District, 11850 Lancaster Street, Millersport, Ohio 43046.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Net Position - Cash Basis*

*June 30, 2013*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,852,873	\$114,661	1,967,534
<i>Total Assets</i>	<u>1,852,873</u>	<u>114,661</u>	<u>1,967,534</u>
<b><u>Net Position:</u></b>			
<i>Restricted for:</i>			
Debt Service	363,041	0	363,041
Set Asides	33,073	0	33,073
Other Purposes	55,448	0	55,448
Unrestricted	<u>1,401,311</u>	<u>114,661</u>	<u>1,515,972</u>
<i>Total Net Position</i>	<u><u>\$1,852,873</u></u>	<u><u>\$114,661</u></u>	<u><u>\$1,967,534</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, 2013

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><i>Governmental Activities:</i></b>						
<i>Instruction:</i>						
Regular	\$3,420,422	\$492,327	\$59,951	(\$2,868,144)	\$0	(\$2,868,144)
Special	1,133,769	0	363,927	(769,842)	0	(769,842)
Vocational	78,705	4,686	1,133	(72,886)	0	(72,886)
<i>Support Services:</i>						
Pupils	217,352	0	0	(217,352)	0	(217,352)
Instructional Staff	215,606	0	49,006	(166,600)	0	(166,600)
Board of Education	150,228	0	0	(150,228)	0	(150,228)
Administration	521,410	236	3,938	(517,236)	0	(517,236)
Fiscal	408,240	0	0	(408,240)	0	(408,240)
Business	1,075	0	0	(1,075)	0	(1,075)
Operation and Maintenance of Plant	651,009	0	0	(651,009)	0	(651,009)
Pupil Transportation	442,958	0	13,509	(429,449)	0	(429,449)
Central	17,944	0	3,600	(14,344)	0	(14,344)
Extracurricular Activities	282,224	42,384	79,473	(160,367)	0	(160,367)
<i>Debt Service:</i>						
Principal Retirement	250,000	0	0	(250,000)	0	(250,000)
Interest and Fiscal Charges	230,686	0	0	(230,686)	0	(230,686)
<b>Total Governmental Activities</b>	<b>8,021,628</b>	<b>539,633</b>	<b>574,537</b>	<b>(6,907,458)</b>	<b>0</b>	<b>(6,907,458)</b>
<b><i>Business-Type Activities:</i></b>						
Food Service	302,113	113,587	169,698	0	(18,828)	(18,828)
<b>Total Business-Type Activities</b>	<b>302,113</b>	<b>113,587</b>	<b>169,698</b>	<b>0</b>	<b>(18,828)</b>	<b>(18,828)</b>
<b>Totals</b>	<b>\$8,323,741</b>	<b>\$653,220</b>	<b>\$744,235</b>	<b>(6,907,458)</b>	<b>(18,828)</b>	<b>(6,926,286)</b>
<b><i>General Receipts:</i></b>						
<i>Property Taxes Levied for:</i>						
General Purposes				3,034,427	0	3,034,427
Debt Service				246,631	0	246,631
Income Taxes				1,138,073	0	1,138,073
Grants and Entitlements not Restricted to Specific Programs				1,710,903	0	1,710,903
Investment Earnings				4,188	0	4,188
Miscellaneous				66,856	2,283	69,139
<b>Total General Receipts</b>				<b>6,201,078</b>	<b>2,283</b>	<b>6,203,361</b>
Change in Net Position				(706,380)	(16,545)	(722,925)
<i>Net Position at Beginning of Year</i>				2,559,253	131,206	2,690,459
<i>Net Position at End of Year</i>				<b>\$1,852,873</b>	<b>\$114,661</b>	<b>\$1,967,534</b>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2013*

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,380,087	\$363,041	\$76,672	\$1,819,800
<b><u>Restricted Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	<u>33,073</u>	<u>0</u>	<u>0</u>	<u>33,073</u>
<b><i>Total Assets</i></b>	<b><u><u>\$1,413,160</u></u></b>	<b><u><u>\$363,041</u></u></b>	<b><u><u>\$76,672</u></u></b>	<b><u><u>\$1,852,873</u></u></b>
<b><u>Fund Balances:</u></b>				
Nonspendable	\$1,136	\$0	\$0	\$1,136
Restricted	33,073	363,041	76,672	472,786
Committed	25,553	0	0	25,553
Assigned	500,850	0	0	500,850
Unassigned	<u>852,548</u>	<u>0</u>	<u>0</u>	<u>852,548</u>
<b><i>Total Fund Balances</i></b>	<b><u><u>\$1,413,160</u></u></b>	<b><u><u>\$363,041</u></u></b>	<b><u><u>\$76,672</u></u></b>	<b><u><u>\$1,852,873</u></u></b>

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, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$3,034,427	\$246,631	\$0	\$3,281,058
Income Taxes	1,138,073	0	0	1,138,073
Intergovernmental	1,782,482	34,098	389,387	2,205,967
Interest	4,188	0	0	4,188
Tuition and Fees	497,013	0	0	497,013
Extracurricular Activities	236	0	42,384	42,620
Gifts and Donations	0	0	79,473	79,473
Miscellaneous	49,445	0	17,411	66,856
<i>Total Receipts</i>	<u>6,505,864</u>	<u>280,729</u>	<u>528,655</u>	<u>7,315,248</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,350,471	0	69,951	3,420,422
Special	863,030	0	270,739	1,133,769
Vocational	78,705	0	0	78,705
<i>Support Services:</i>				
Pupils	217,352	0	0	217,352
Instructional Staff	161,070	0	54,536	215,606
Board of Education	150,228	0	0	150,228
Administration	517,524	0	3,886	521,410
Fiscal	403,865	4,375	0	408,240
Business	1,075	0	0	1,075
Operation and Maintenance of Plant	651,009	0	0	651,009
Pupil Transportation	442,958	0	0	442,958
Central	14,344	0	3,600	17,944
Extracurricular Activities	175,766	0	106,458	282,224
<i>Debt Service:</i>				
Principal Retirement	90,000	160,000	0	250,000
Interest and Other Fiscal Charges	121,256	109,430	0	230,686
<i>Total Disbursements</i>	<u>7,238,653</u>	<u>273,805</u>	<u>509,170</u>	<u>8,021,628</u>
<i>Net Change in Fund Balances</i>	(732,789)	6,924	19,485	(706,380)
<i>Fund Balances at Beginning of Year</i>	<u>2,145,949</u>	<u>356,117</u>	<u>57,187</u>	<u>2,559,253</u>
<i>Fund Balances at End of Year</i>	<u>\$1,413,160</u>	<u>\$363,041</u>	<u>\$76,672</u>	<u>\$1,852,873</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$2,882,000	\$3,034,427	\$3,034,427	\$0
Income Taxes	1,171,384	1,138,073	1,138,073	0
Intergovernmental	1,717,840	1,745,688	1,782,482	36,794
Interest	3,000	3,800	4,188	388
Tuition and Fees	379,000	467,147	486,480	19,333
Miscellaneous	40,000	35,751	38,585	2,834
<i>Total Receipts</i>	6,193,224	6,424,886	6,484,235	59,349
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,301,824	3,324,690	3,337,218	(12,528)
Special	668,870	746,477	903,056	(156,579)
Vocational	82,567	82,567	78,180	4,387
<i>Support Services:</i>				
Pupils	235,981	236,401	217,694	18,707
Instructional Staff	238,482	199,944	188,253	11,691
Board of Education	175,548	185,834	163,747	22,087
Administration	528,349	532,189	503,460	28,729
Fiscal	447,450	458,958	413,301	45,657
Business	1,247	1,247	1,075	172
Operation and Maintenance of Plant	647,419	676,103	653,609	22,494
Pupil Transportation	402,267	440,880	444,935	(4,055)
Central	9,305	14,976	14,844	132
Extracurricular Activities	187,416	187,561	175,916	11,645
<i>Debt Service:</i>				
Principal	90,000	90,000	90,000	0
Interest	121,256	121,256	121,256	0
<i>Total Disbursements</i>	7,137,981	7,299,083	7,306,544	(7,461)
<i>Excess of Receipts Over (Under) Disbursements</i>	(944,757)	(874,197)	(822,309)	51,888
<b><u>Other Financing (Uses):</u></b>				
Transfers Out	(1,014,786)	(1,222,920)	(25,000)	1,197,920
<i>Total Other Financing (Uses)</i>	(1,014,786)	(1,222,920)	(25,000)	1,197,920
<i>Excess of Receipts and Other Financing Sources</i> <i>Over (Under) Disbursements and Other Financing Uses</i>	(1,959,543)	(2,097,117)	(847,309)	1,249,808
<i>Fund Balance at Beginning of Year</i>	1,982,499	1,982,499	1,982,499	0
Prior Year Encumbrances Appropriated	138,559	138,559	138,559	0
<i>Fund Balance at End of Year</i>	\$161,515	\$23,941	\$1,273,749	\$1,249,808

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Position - Cash Basis*

*Proprietary Fund*

*June 30, 2013*

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	<u>Enterprise Fund</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$114,661</u>
<i>Total Assets</i>	<u>114,661</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u>114,661</u>
<i>Total Net Position</i>	<u><u>\$114,661</u></u>

See accompanying notes to the basic financial statements.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts,  
Cash Disbursements and Changes in Cash Basis Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013*

	Enterprise Fund
<b><u>Operating Receipts:</u></b>	
Charges for Services	\$113,587
Other Revenues	2,283
	115,870
<b><u>Operating Disbursements:</u></b>	
Salaries	102,380
Fringe Benefits	53,333
Purchased Services	295
Materials and Supplies	129,808
Capital Outlay	16,297
	302,113
<i>Operating Loss</i>	(186,243)
<b><u>Nonoperating Receipts:</u></b>	
Federal and State Subsidies	169,698
	169,698
<i>Change in Net Position</i>	(16,545)
<i>Net Position at Beginning of Year</i>	131,206
<i>Net Position at End of Year</i>	\$114,661

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, 2013*

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	<u>Agency Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,930</u>
<b><u>Liabilities:</u></b>	
Due to Students	<u>9,930</u>
<i>Total Liabilities</i>	<u><u>\$9,930</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, 2013*

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

**Description of the School District**

Walnut Township Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's facilities staffed by 27 classified and 46 teaching personnel and 4 administrative employees providing education to approximately 600 students.

**Reporting Entity**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. Although Ohio Administrative Code Section 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The more significant of the District's accounting policies are described below.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

The statement of net position presents the financial 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, 2013*

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current 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 position, financial position and cash flows. The District's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The only proprietary fund of the District accounts for transactions related to the food service operations.

**Fiduciary Fund**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**Fund Financial Statements**

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

**D. Basis of Accounting**

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2013 (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 2013.

**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, 2013*

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

**G. Cash and Cash Equivalents**

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

The District credits interest to the General Fund. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$4,188, which includes \$858 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, 2013, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for capital improvements.

**I. Capital Assets**

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

**J. Interfund Transactions**

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

**K. Compensated Absences**

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

**L. Long-Term Obligations**

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**M. Net Position**

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

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

**N. Fund Balance**

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

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

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

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

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

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

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



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**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 are the primary activity of that fund. Receipts and disbursements not meeting these definitions are reported as nonoperating.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

For fiscal year 2013, the District implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB No. 61, "The Financial Reporting Entity: Omnibus", GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB No. 63, "Financial Reporting of Deferred Outflows of Resourced, Deferred Inflows of Resources, and Net Position". The implementation of GASB Statement No. 60, 61, 62 and 63 had no effect on the prior period fund balances of the District.

**Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash) and some funds are included in the general fund on the cash basis but not on the budgetary basis.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2013:

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

	General
Cash Basis	(\$732,789)
Encumbrances	115,180
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	<u>(229,700)</u>
<b>Budgetary Basis</b>	<u><u>(\$847,309)</u></u>

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

**NOTE 5 - DEPOSITS 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.

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

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

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

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

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

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

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

**Deposits:** At June 30, 2013, the carrying amounts of all the District deposits were \$1,977,464. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2013, \$1,563,539 of the District's bank balance of \$2,063,539 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.

**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 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricualtural/Residential and Other Real Estate	\$126,326,700	91.17%	\$126,443,970	90.82%
Public Utility Personal	12,236,770	8.83%	12,780,950	9.18%
Total Assessed Value	<u>\$138,563,470</u>	<u>100.00%</u>	<u>\$139,224,920</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$33.70		\$33.70	

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013 are available to finance fiscal year 2013 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 \$1,138,073 are credited to the General Fund for fiscal year 2013.

**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 2013, the District contracted with Tom Jones Insurance Agency, Inc. for property and fleet insurance and Ohio School Plan for liability insurance. Coverage's provided are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$24,930,035
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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

**Workers' Compensation**

For fiscal year 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$172,500, \$170,397 and \$165,963, respectively. For fiscal year 2013, 58.92 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.com](http://www.strsoh.com).

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$386,340 and \$35,757 for the fiscal year ended June 30, 2013, 363,539 and \$33,606 for the fiscal year ended June 30, 2012, and \$358,258 and \$27,283 for the fiscal year ended June 30, 2011. The full amount has been contributed for fiscal years 2013, 2012 and 2011. Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 was \$275,957 made by the members and \$25,541 made by the Combined Plan members. In addition, member contributions of \$1,875 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$9,865 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,176, \$27,196, and \$28,405, respectively. For fiscal year 2013, 0.90 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$711, \$1,321, and \$1,380 respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

**State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$34,819, \$31,108, and \$38,076 respectively. For fiscal year 2013, 1.00 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

**Insurance Benefits**

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the governmental activities long-term obligations of the District during fiscal year 2013 were as follows:

<b>Governmental Activities</b>	<b>Issue Date</b>	<b>Interest Rate</b>	<b>Principal</b>			<b>Principal Outstanding June 30, 2013</b>	<b>Due in One Year</b>
			<b>Outstanding July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>		
General Obligation Bonds	1995	6.20%	\$1,845,000	\$0	\$160,000	\$1,685,000	\$170,000
Certificates of Participation	2007	4.52%	2,865,000	0	90,000	2,775,000	90,000
Total Government Activities			\$4,710,000	\$0	\$250,000	\$4,460,000	\$260,000

The bond issue outstanding relates to a project approved in 1995, for which bonds were issued in the amount of \$3,550,000, for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$1,685,000 with an interest rate of 6.20%.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**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 \$2,775,000 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, 2013 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
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	205,000	64,635	105,000	106,069	480,704
2018	215,000	51,615	105,000	101,869	473,484
2019-2023	725,000	68,975	600,000	437,218	1,831,193
2024-2028	0	0	755,000	292,179	1,047,179
2029-2033	0	0	925,000	107,557	1,032,557
Total	<u>\$1,685,000</u>	<u>\$449,655</u>	<u>\$2,775,000</u>	<u>\$1,386,899</u>	<u>\$6,296,554</u>

The District's overall legal debt margin was \$10,845,243 with an unvoted debt margin of \$139,225 at June 30, 2013.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 13 – FUND BALANCES**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Unclaimed Monies	\$1,136	\$0	\$0	\$1,136
<i>Restricted:</i>				
Set Asides	33,073	0	0	33,073
Scholarships/Trusts	0	0	22,342	22,342
<i>Special Revenues:</i>				
Federal Grants	0	0	12,956	12,956
Athletics	0	0	41,374	41,374
Debt Service	0	363,041	0	363,041
<i>Committed:</i>				
Termination Benefits	25,553	0	0	25,553
<i>Assigned:</i>				
Encumbrances	477,379	0	0	477,379
Public School Support	9,396	0	0	9,396
Uniform School Supplies	14,075	0	0	14,075
<i>Unassigned</i>	<u>852,548</u>	<u>0</u>	<u>0</u>	<u>852,548</u>
Total Fund Balances	<u>\$1,413,160</u>	<u>\$363,041</u>	<u>\$76,672</u>	<u>\$1,852,873</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 14- STATUTORY SET ASIDES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The State eliminated the required set aside for the purchase of text books and other instructional materials as of the year ended June 30, 2013.

The following cash basis changes occurred in the District's set-aside reserve account during fiscal year 2013:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2012	\$35,394
FY 2013 Set Aside Required	104,732
FY 2013 Qualifying Disbursements	<u>107,053</u>
Set Aside Balances Carried Forward to FY 2013	<u>33,073</u>
Set Aside Reserve Balances at June 30, 2013	<u>33,073</u>
Total Restricted Assets	<u><u>\$33,073</u></u>

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

**NOTE 15 – ENCUMBRANCE COMMITMENTS**

At June 30, 2013, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$115,180
<u>Nonmajor Funds</u>	
Athletics	1,692
Race To The Top	<u>51</u>
Total Nonmajor Funds	<u>1,743</u>
Total Encumbrances	<u><u>\$116,923</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

---

**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, 2013.

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 19,369	\$ 19,369
School Breakfast Program	10.553	38,540	38,540
National School Lunch Program	10.555	127,564	127,564
Total Nutrition Cluster		<u>185,473</u>	<u>185,473</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>185,473</u></b>	<b><u>185,473</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
Special Education_Grants to States Program	84.027	109,480	109,480
Title I Grants to Local Educational Agencies Program	84.010	193,640	193,640
Race to the Top - ARRA	84.395	22,716	28,592
Small Rural School Achievement	84.359	36,534	36,534
Improving Teacher Quality State Grants Program	84.367	23,417	23,417
<b>Total U.S. Department of Education</b>		<b><u>385,787</u></b>	<b><u>391,663</u></b>
<b>Totals</b>		<b><u>\$ 571,260</u></b>	<b><u>\$ 577,136</u></b>

*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, 2013**

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and we issued a qualified opinion on Remaining Fund Information due to a scope restriction over Athletic extracurricular receipts.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 8, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Walnut Township Local School District's (the District) compliance with the applicable 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 the Walnut Township Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in findings 2013-004 and 2013-005 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Title 1 Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

### ***Qualified Opinion on Title I Program Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the Walnut Township Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Program for the year ended June 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Walnut Township Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings the year ended June 30, 2013.

### ***Other Matters***

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

### ***Report on Internal Control over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-004 and 2013-005 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 8, 2014

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**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified for Remaining Fund Information Unmodified for Governmental Activities, Business type activities and Major Funds
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – Cash Management, Title I Grant Unmodified - Title VI-B Special Education Grant
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 Title I Grants to States  CFDA #84.027 Title VI-B Special Education Grants to States
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2013-001**

**Noncompliance Finding - Ohio Administration Code**

**Ohio Admin. Code Section 117-2-03(B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For the year ended June 30, 2013, the District's financial statements and footnotes were prepared on the cash basis of accounting, which is a comprehensive accounting basis other than GAAP.

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures required by GAAP that, while material, cannot be determined at this time. The District is subject to fines and various other administrative remedies.

We recommend the District prepare its financial statements in accordance with the GAAP.

**Official's Response:** The district will continue to prepare GASB 34 Statements. We do not believe the financially GAAP Statements benefit the District.

**FINDING NUMBER 2013-002**

**Financial Statement Presentation- Material Weakness**

Sound financial reporting is the responsibility of the Treasurer and members of the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were posted to the financial statements and, where applicable, the accounting records for the year ended June 30, 2013:

- Athletic extracurricular receipts and expenditures were not accounted for on the District's accounting system, resulting in an adjustment to record \$79,473 in receipts, \$59,323 in expenditures and \$20,150 in restricted fund balance in the Student Managed Activities Fund.
- The District classified the Student Managed Activities Fund balance totaling \$21,224 as unrestricted rather than restricted.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements. Not recording activity in the ledgers resulted in adjustments to the financial statements and inaccurate accounting records. This makes it difficult for the Board to effectively manage, monitor, and budget District's activities.

We recommend the District implement monitoring controls over financial reporting to help reduce posting errors and increase the reliability of the financial data throughout the year.

**Official's Response:** The athletic expenditures will be immediately and the District will make sure our compiler prepares their GASB 34 statements correctly.



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2013-003**

**Athletic Fund Activity – Material Weakness**

On July 25, 2012, the Millersport Athletic Boosters electronically donated and transferred \$20,850 to the District for school athletic activities. The bank account was maintained separate from other District activities by the Treasurer and Superintendent/Athletic Director.

The receipts and disbursements of this account did not flow through the District's internal control processes established for all other receipts and disbursements.

- The account was not established and approved by the District Board
- There were no policies established regarding the receipt or disbursement of this account
- The account was not added to the District monthly financial reconciliation process.
- Receipts amounts did not include back up documentation for amounts received and posted
- Duplicate receipts were not written
- Donations received were not approved in the minutes
- Disbursements did not have prior certification or approval was not documented for expenditures
- The Treasurer maintained electronic spreadsheets to document receipts and disbursements

Bank statements, cancelled checks, and invoices were provided as a support of disbursements being made for properly public purpose.

Due to the insufficient support of the \$79,343 of athletic receipts posted to the financial statements, an opinion qualification was made.

Failure to maintain documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

In order to improve accountability and help assist in proper financial statement presentation, the District should establish policies and procedures regarding the account's activity. We recommend the District maintain documentation to support all receipts and disbursements for the Athletic Fund activity.

**Official's Response:** As stated to the auditors this money is not the districts but the boosters. This issue will be corrected immediately.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**Noncompliance – Material Weakness – Cash Management**

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	84.010 – Title I Grants to Local Agencies
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**34 CFR 80.21** prescribes the basic standards and methods under which a federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors. **34 CFR 80.21 (c)** provides in part, that grantees shall be paid in advance, provided they have procedures in place to minimize the time elapsing between the transfer of funds and their disbursement by the grantee.

The Ohio Department of Education allows local governments to have 30 days in which to expend an advance of federal funds.

During fiscal year 2013, the following receipts were not being expended within the required 30 day time limit:

Grant Title	Grant Year	Receipt Amount	Date Received	Date Spent	Number of Days to Past the 30-day Limit
Title I	2013	\$19,744.00	12/14/2012	1/16/2013	3
Title I	2013	21,243.36	2/19/2013	5/10/2013	50
Title I	2013	19,315.00	3/29/2013	5/10/2013	12
Title I	2013	19,315.00	5/16/2013	7/24/2013	39
Title I	2013	19,315.00	6/4/2013	7/24/2013	20

Imputed interest as a result of the above non-compliance resulted in an estimated \$18 of interest on Federal monies.

We recommend that Walnut Township Local School District fully expend Federal grant receipts within thirty days of receipt.

**Official's Response:** Effective immediately the District will monitor all federal funds and make sure all money is spent during the 30 day requirement.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Noncompliance – Material Weakness – Project Cash Requests – Cash Management**

<b>Finding Number</b>	2013-005
<b>CFDA Title and Number</b>	84.010 – Title I Grants to Local Agencies
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

The Ohio Department of Education (ODE) Comprehensive Continuous Improvement Plan (CCIP) Assurances provide that the subgrantee will make reports to ODE and to the Department to perform their duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and/or the department and shall be supported by appropriate documentation.

The Ohio Department of Education (ODE) Federal Fiscal Report Procedures # 1, and ODE Superintendent Weekly E-mail, dated December 6, 2002 require the following:

Consolidated Application Assurance Item 5 provides that the Center will report to ODE as may be reasonable necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio by the following reports on the Project Cash Request (PCR) and the Final Expenditure Report (FER).

The following differences were noted between the amounts reported on the District's PCRs submitted to ODE and the District's accounting ledgers for its Title I grant as follows:

Program Name	CFDA #	PCR Date	Expenditures Reported on PCR	Actual Expenditures per Accounting Ledgers	Variance
Title I	84.010	11/5/12	\$32,827.05	\$32,757.43	\$69.62
Title I	84.010	3/25/13	108,581.35	108,323.21	258.14
Title I	84.010	5/10/13	127,610.93	132,527.13	4,916.20
Title I	84.010	5/30/13	142,371.96	142,346.96	25.00

While the District has controls to facilitate compliance with these reporting requirements, we recommend the District ensure those controls are functioning as intended. Only actual cash basis expenditures of the program (and any negative balance) are to be reported on the Project Cash Request forms submitted to Ohio Department of Education.

We recommend for the District to accurately record expenditures on the project cash requests submitted to the Ohio Department of Education for grant revenue.

**Official's Response:** The District requested funds in the same manner during FY2013 as it has in the past. We realize the issue of only reporting cash expenditures and this will be corrected immediately.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315(c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-004	Effective immediately the District will monitor all federal funds and make sure all money is spent during the 30 day requirement	7/18/14	Kirk Grandy, Treasurer
2013-005	The District requested funds in the same manner during FY2013 as it has in the past. We realize the issue of only reporting cash expenditures and this will be corrected immediately.	7/18/14	Kirk Grandy, Treasurer

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Financial Statements not being prepared in accordance with GAAP – OAC 117-2-03(B).	No	Repeated as Finding 2013-001
2012-002	Single Audit not being completed in the time period specified by OMB Circular A-133 Section .320(a).	Yes	
2012-003	Federal monies were not expended in accordance with 34 CFR 80.21 (c)	No	Repeated as Finding 2013-002

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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 Walnut Township Local 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 May 14, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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  
Columbus, Ohio

May 8, 2014

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# Dave Yost • Auditor of State

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2014**