



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets – Cash Basis – June 30, 2012	15
Statement of Activities – Cash Basis – June 30, 2012	16
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds - June 30, 2012.....	17
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds - For the Fiscal Year Ended June 30, 2012	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – (Budget Basis) - General Fund - For the Year Ended June 30, 2012	19
Statement of Fund Net Assets –Cash Basis - Proprietary Fund - June 30, 2012.....	20
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Net Assets - Proprietary Funds - For the Fiscal Year Ended June 30, 2012.....	21
Statement of Fiduciary Assets and Liabilities – Cash Basis - Fiduciary Fund - June 30, 2012.....	22
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	43
Notes to the Federal Awards Receipts and Expenditures Schedule	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
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	47
Schedule of Findings.....	51
Corrective Action Plan.....	56
Schedule of Prior Audit Findings.....	57

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2012, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2012, 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 relate 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 is 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.

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

THIS PAGE INTENTIONALLY LEFT BLANK

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

(Unaudited)

The discussion and analysis of the Walnut Township Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

Total net assets of the District at June 30, 2012 is \$2,690,459. This balance was comprised of a \$448,698 balance in net asset amounts restricted for specific purposes, and \$2,241,761 in unrestricted net assets.

In total, net assets of governmental activities decreased by \$516,496, which represents a 16.79 percent decrease from 2011. Net assets of the business-type activities increased \$16,339 which represents a 14.22 percent increase from 2011.

General receipts accounted for \$6,096,573 or 86.25 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 \$972,044 or 13.75 percent of total receipts of \$7,068,617 for the governmental activities.

The District had \$7,585,113 in disbursements related to governmental activities; only \$972,044 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 \$6,096,573 were used to provide for the remainder of these programs.

The District had \$283,155 in disbursements related to business-type activities; \$297,722 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 \$6,359,367 in receipts and \$6,880,005 in disbursements in fiscal year 2012.

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, 2012
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing cash and net assets. Table 1 provides a summary of the District's net assets for 2012 compared to fiscal year 2011:

Table 1
Net Assets at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets:</u>						
Cash and Cash Equivalents	\$2,559,253	\$3,075,749	\$131,206	\$114,867	\$2,690,459	\$3,190,616
<i>Total Assets</i>	<u>2,559,253</u>	<u>3,075,749</u>	<u>131,206</u>	<u>114,867</u>	<u>2,690,459</u>	<u>3,190,616</u>
<u>Net Assets:</u>						
Restricted	448,698	556,762	0	0	448,698	556,762
Unrestricted	<u>2,110,555</u>	<u>2,518,987</u>	<u>131,206</u>	<u>114,867</u>	<u>2,241,761</u>	<u>2,633,854</u>
<i>Total Net Assets</i>	<u>\$2,559,253</u>	<u>\$3,075,749</u>	<u>\$131,206</u>	<u>\$114,867</u>	<u>\$2,690,459</u>	<u>\$3,190,616</u>

Total Cash and Cash Equivalents decreased \$500,157 from fiscal year 2011 due primarily to an increase in disbursements and a decrease in receipts.

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

The remaining balance of \$448,698 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2012 and provides a comparison to fiscal year 2011.

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$493,228	\$432,780	\$123,844	\$122,812	\$617,072	\$555,592
Operating Grants and Contributions	478,816	884,870	173,878	167,490	652,694	1,052,360
<i>General Receipts:</i>						
Property Taxes	3,199,505	3,181,051	0	0	3,199,505	3,181,051
Income Taxes	1,148,416	1,086,697	0	0	1,148,416	1,086,697
Unrestricted Grants and Entitlement	1,664,470	1,518,682	0	0	1,664,470	1,518,682
Investments Earnings	3,957	7,028	0	0	3,957	7,028
Miscellaneous	80,225	42,341	1,772	1,370	81,997	43,711
<i>Total Receipts</i>	7,068,617	7,153,449	299,494	291,672	7,368,111	7,445,121

Continued)

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<i>Disbursements:</i>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,222,973	3,245,079	0	0	3,222,973	3,245,079
Special	907,489	811,865	0	0	907,489	811,865
Vocational	77,875	72,720	0	0	77,875	72,720
<i>Support Services:</i>						
Pupils	222,352	210,768	0	0	222,352	210,768
Instructional Staff	266,397	260,475	0	0	266,397	260,475
Board of Education	157,503	149,132	0	0	157,503	149,132
Administration	510,996	443,410	0	0	510,996	443,410
Fiscal	461,102	447,727	0	0	461,102	447,727
Business	1,176	1,133	0	0	1,176	1,133
Operation and Maintenance of Plant	642,744	637,885	0	0	642,744	637,885
Pupil Transportation	382,835	357,835	0	0	382,835	357,835
Central	12,378	14,300	0	0	12,378	14,300
Extracurricular Activities	235,560	228,487	0	0	235,560	228,487
Principal Retirement	240,000	225,000	0	0	240,000	225,000
Interest and Fiscal Charges	243,733	256,124	0	0	243,733	256,124
Food Service	0	0	283,155	272,978	283,155	272,978
<i>Total Disbursements</i>	7,585,113	7,361,940	283,155	272,978	7,868,268	7,634,918
<i>Changes in Net Assets</i>	(516,496)	(208,491)	16,339	18,694	(500,157)	(189,797)
<i>Net Assets at Beginning of Year</i>	3,075,749	3,284,240	114,867	96,173	3,190,616	3,380,413
<i>Net Assets at End of Year</i>	\$2,559,253	\$3,075,749	\$131,206	\$114,867	\$2,690,459	\$3,190,616

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Fiscal. These programs account for 75.74 percent of the total governmental activities. Regular Instruction, which accounts for 42.49 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 11.96 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 8.47 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.74 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 6.08 percent of the total, represents costs associated with providing fiscal services rendered by persons in the Treasurer's office.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes and grants and entitlements not restricted for specific programs. Property taxes, income taxes and grants and entitlements not restricted for specific programs accounts for 85.06 percent of total receipts for governmental activities.

As noted previously, the net assets for the governmental activities decreased \$516,496 or 16.79 percent. This is a decrease from last year when net assets decreased \$208,491 or 6.35 percent. Governmental activities receipts decreased \$84,832 or 1.19 percent over last year and disbursements increased \$223,173 or 3.03 percent over last year.

The District had program receipt decreases for Governmental Activities of \$345,606, as well as an increase in general receipts of \$260,774. The decrease in program receipts is due to a decrease in operating grants and the increase in general receipts is mostly due to the increase in unrestricted grants and entitlements.

The total disbursements for governmental activities increased \$223,173 due to a increase of \$95,624 in special instructions and \$67,586 in administration.

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

As noted previously, the net position for the business-type increased \$16,339 or 14.22 percent. This is a decrease from last year when net position increased \$18,694 or 19.44 percent. Business-type activities receipts increased \$7,822 or 2.68 percent over last year and disbursements increased \$10,177 or 3.73 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 45.26 percent, income taxes made up 16.25 percent and unrestricted intergovernmental receipts made up 23.55 percent of the total receipts for the governmental activities in fiscal year 2012.

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, 2012
(Unaudited)*

The District's income tax receipts consist of a 1.25 percent voted income tax levy. During fiscal year 2012, the District received \$1,148,416, which represents 16.25 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 2012, the District received \$1,286,486 through the State's foundation program, which represents 18.20 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 55.48 percent of governmental activities program disbursements. Support services expenses make up 35.04 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 \$297,722 and disbursements total \$283,155 for fiscal year 2012. 41.60 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 2012 and comparison to fiscal year 2011. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$4,208,337	\$3,336,377	\$4,129,664	\$3,086,023
Support Services	2,657,483	2,605,109	2,522,665	2,281,677
Extracurricular Activities	235,560	187,850	228,487	195,466
Principal Retirement	240,000	240,000	225,000	225,000
Interest and Fiscal Charges	243,733	243,733	256,124	256,124
<i>Business-Type Activities:</i>				
Food Service	283,155	(14,567)	272,978	(17,324)
Total Disbursements	<u>\$7,868,268</u>	<u>\$6,598,502</u>	<u>\$7,634,918</u>	<u>\$6,026,966</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$7,068,617 and disbursements of \$7,585,113.

Total governmental funds fund balance decreased by \$516,496. The decrease in fund balance for the year was most significant in the General Fund with a decrease of \$520,638, which occurred as a result of the disbursements exceeding receipts during fiscal year 2012.

The District should remain stable through fiscal year 2013. However, projections beyond fiscal year 2013 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

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

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

For the General Fund, the final budget basis receipts were \$6,248,013 representing an increase of \$241,005 from the original budget estimates of \$6,007,008. For the General Fund, the final budget basis disbursements were \$7,094,435 representing an increase of \$136,325 from the original budget estimates of \$6,958,110. The final budget reflected a 1.50 percent increase from the original budgeted amount. The majority of this difference is the result of a low estimate for regular instruction on the original budget.

Debt Administration

At June 30, 2012, the District had \$4,710,000 in general obligation debt outstanding with \$250,000 due within one year. Table 4 summarizes the bonds outstanding for fiscal year 2012 compared to fiscal year 2011.

Table 4

Outstanding Debt, Governmental Activities at Year End

Purpose	2012	2011
1995 School Improvement Bonds	\$1,845,000	\$2,000,000
Certificates of Participation Project	2,865,000	2,950,000
Total	<u>\$4,710,000</u>	<u>\$4,950,000</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, 2012
(Unaudited)

Economic Factors

The DeRolf IV decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected increases thus generating about the same revenue. Taxes made up 61.51 percent of revenues for governmental activities for the District in fiscal year 2012. Of this 61.51 percent, 16.25 percent was School District Income Tax. The District's income tax is a 10 year levy and runs from 2005 through calendar year 2014. The State still has not fixed the funding system although there is hope for some changes as the result of any recommendations from the Governor's Blue Ribbon Task Force created as a result of DeRolf IV.

Contacting the District's Financial Management

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$2,559,253	\$131,206	2,690,459
<i>Total Assets</i>	<u>2,559,253</u>	<u>131,206</u>	<u>2,690,459</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Debt Service	356,117	0	356,117
Set Asides	35,394	0	35,394
Other Purposes	57,187	0	57,187
Unrestricted	<u>2,110,555</u>	<u>131,206</u>	<u>2,241,761</u>
<i>Total Net Assets</i>	<u><u>\$2,559,253</u></u>	<u><u>\$131,206</u></u>	<u><u>\$2,690,459</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, 2012

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>						
<i>Instruction:</i>						
Regular	\$3,222,973	\$445,665	\$60,206	(\$2,717,102)	\$0	(\$2,717,102)
Special	907,489	0	364,956	(542,533)	0	(542,533)
Vocational	77,875	0	1,133	(76,742)	0	(76,742)
<i>Support Services:</i>						
Pupils	222,352	0	0	(222,352)	0	(222,352)
Instructional Staff	266,397	0	27,337	(239,060)	0	(239,060)
Board of Education	157,503	0	0	(157,503)	0	(157,503)
Administration	510,996	198	0	(510,798)	0	(510,798)
Fiscal	461,102	0	0	(461,102)	0	(461,102)
Business	1,176	0	0	(1,176)	0	(1,176)
Operation and Maintenance of Plant	642,744	0	0	(642,744)	0	(642,744)
Pupil Transportation	382,835	0	21,239	(361,596)	0	(361,596)
Central	12,378	0	3,600	(8,778)	0	(8,778)
Extracurricular Activities	235,560	47,365	345	(187,850)	0	(187,850)
<i>Debt Service:</i>						
Principal Retirement	240,000	0	0	(240,000)	0	(240,000)
Interest and Fiscal Charges	243,733	0	0	(243,733)	0	(243,733)
Total Governmental Activities	7,585,113	493,228	478,816	(6,613,069)	0	(6,613,069)
<i>Business-Type Activities:</i>						
Food Service	283,155	123,844	173,878	0	14,567	14,567
Total Business-Type Activities	283,155	123,844	173,878	0	14,567	14,567
Totals	\$7,868,268	\$617,072	\$652,694	(6,613,069)	14,567	(6,598,502)
<i>General Receipts:</i>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,958,692	0	2,958,692
Debt Service				240,813	0	240,813
Income Taxes				1,148,416	0	1,148,416
Grants and Entitlements not Restricted to Specific Programs				1,664,470	0	1,664,470
Investment Earnings				3,957	0	3,957
Miscellaneous				80,225	1,772	81,997
Total General Receipts				6,096,573	1,772	6,098,345
Change in Net Assets				(516,496)	16,339	(500,157)
<i>Net Assets at Beginning of Year</i>				<u>3,075,749</u>	<u>114,867</u>	<u>3,190,616</u>
<i>Net Assets at End of Year</i>				<u>\$2,559,253</u>	<u>\$131,206</u>	<u>\$2,690,459</u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,110,555	\$356,117	\$57,187	\$2,523,859
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	<u>35,394</u>	<u>0</u>	<u>0</u>	<u>35,394</u>
<i>Total Assets</i>	<u><u>\$2,145,949</u></u>	<u><u>\$356,117</u></u>	<u><u>\$57,187</u></u>	<u><u>\$2,559,253</u></u>
<u>Fund Balances:</u>				
Nonspendable	\$1,136	\$0	\$0	\$1,136
Restricted	35,394	356,117	57,187	448,698
Committed	30,328	0	0	30,328
Assigned	1,761,187	0	0	1,761,187
Unassigned	<u>317,904</u>	<u>0</u>	<u>0</u>	<u>317,904</u>
<i>Total Fund Balances</i>	<u><u>\$2,145,949</u></u>	<u><u>\$356,117</u></u>	<u><u>\$57,187</u></u>	<u><u>\$2,559,253</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$2,958,692	\$240,813	\$0	\$3,199,505
Income Taxes	1,148,416	0	0	1,148,416
Intergovernmental	1,743,843	34,034	365,064	2,142,941
Interest	3,957	0	0	3,957
Tuition and Fees	445,665	0	0	445,665
Extracurricular Activities	198	0	47,365	47,563
Gifts and Donations	0	0	345	345
Miscellaneous	58,596	0	21,629	80,225
<i>Total Receipts</i>	<u>6,359,367</u>	<u>274,847</u>	<u>434,403</u>	<u>7,068,617</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,191,948	0	31,025	3,222,973
Special	631,056	0	276,433	907,489
Vocational	77,875	0	0	77,875
<i>Support Services:</i>				
Pupils	222,352	0	0	222,352
Instructional Staff	220,289	0	46,108	266,397
Board of Education	157,503	0	0	157,503
Administration	507,064	0	3,932	510,996
Fiscal	450,408	4,196	6,498	461,102
Business	1,176	0	0	1,176
Operation and Maintenance of Plant	642,744	0	0	642,744
Pupil Transportation	382,835	0	0	382,835
Central	8,778	0	3,600	12,378
Extracurricular Activities	176,439	0	59,121	235,560
<i>Debt Service:</i>				
Principal Retirement	85,000	155,000	0	240,000
Interest and Other Fiscal Charges	124,538	119,195	0	243,733
<i>Total Disbursements</i>	<u>6,880,005</u>	<u>278,391</u>	<u>426,717</u>	<u>7,585,113</u>
<i>Net Change in Fund Balances</i>	(520,638)	(3,544)	7,686	(516,496)
<i>Fund Balances at Beginning of Year (Restated)</i>	<u>2,666,587</u>	<u>359,661</u>	<u>49,501</u>	<u>3,075,749</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,145,949</u></u>	<u><u>\$356,117</u></u>	<u><u>\$57,187</u></u>	<u><u>\$2,559,253</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$2,841,000	\$2,958,692	\$2,958,692	\$0
Income Taxes	1,108,431	1,148,416	1,148,416	0
Intergovernmental	1,652,577	1,711,597	1,743,843	32,246
Interest	7,000	3,500	3,957	457
Tuition and Fees	383,000	378,537	434,577	56,040
Miscellaneous	15,000	47,271	48,408	1,137
<i>Total Receipts</i>	6,007,008	6,248,013	6,337,893	89,880
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,114,417	3,180,079	3,150,538	29,541
Special	641,842	648,770	637,237	11,533
Vocational	76,658	76,658	77,422	(764)
<i>Support Services:</i>				
Pupils	224,265	224,823	222,770	2,053
Instructional Staff	245,396	247,415	238,649	8,766
Board of Education	168,940	184,630	167,788	16,842
Administration	574,482	574,242	502,466	71,776
Fiscal	485,248	485,573	429,047	56,526
Business	1,200	1,200	1,176	24
Operation and Maintenance of Plant	617,654	643,375	662,428	(19,053)
Pupil Transportation	385,606	402,591	421,449	(18,858)
Central	10,335	12,146	14,449	(2,303)
Extracurricular Activities	202,529	203,395	176,584	26,811
<i>Debt Service:</i>				
Principal	85,000	85,000	85,000	0
Interest	124,538	124,538	124,538	0
<i>Total Disbursements</i>	6,958,110	7,094,435	6,911,541	182,894
<i>Excess of Receipts Over (Under) Disbursements</i>	(951,102)	(846,422)	(573,648)	272,774
<u>Other Financing (Uses):</u>				
Transfers Out	(1,584,263)	(1,736,770)	(50,000)	1,686,770
<i>Total Other Financing (Uses)</i>	(1,584,263)	(1,736,770)	(50,000)	1,686,770
<i>Excess of Receipts and Other Financing Sources</i>				
<i>Over (Under) Disbursements and Other Financing Uses</i>	(2,535,365)	(2,583,192)	(623,648)	1,959,544
<i>Fund Balance at Beginning of Year</i>	2,557,335	2,557,335	2,557,335	0
Prior Year Encumbrances Appropriated	48,812	48,812	48,812	0
<i>Fund Balance at End of Year</i>	\$70,782	\$22,955	\$1,982,499	\$1,959,544

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Statement of Fund Net Assets - Cash Basis

Proprietary Fund

June 30, 2012

	<u>Enterprise Fund</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$131,206</u>
<i>Total Assets</i>	<u>131,206</u>
<u>Net Assets:</u>	
Unrestricted	<u>131,206</u>
<i>Total Net Assets</i>	<u><u>\$131,206</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
*Statement of Cash Receipts,
Cash Disbursements and Changes in Cash Basis Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012*

	Enterprise Fund
<u>Operating Receipts:</u>	
Charges for Services	\$123,844
Other Revenues	1,772
	125,616
<i>Total Operating Receipts</i>	125,616
<u>Operating Disbursements:</u>	
Salaries	102,006
Fringe Benefits	46,528
Purchased Services	1,248
Materials and Supplies	131,578
Capital Outlay	1,795
	283,155
<i>Total Operating Disbursements</i>	283,155
<i>Operating Loss</i>	(157,539)
<u>Nonoperating Receipts:</u>	
Federal and State Subsidies	173,878
	173,878
<i>Total Nonoperating Receipts</i>	173,878
<i>Change in Net Assets</i>	16,339
<i>Net Assets at Beginning of Year</i>	114,867
<i>Net Assets at End of Year</i>	\$131,206

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, 2012

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,251</u>
<u>Liabilities:</u>	
Due to Students	<u>8,251</u>
<i>Total Liabilities</i>	<u><u>\$8,251</u></u>

See accompanying notes to the basic financial statements.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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 50 teaching personnel and 4 administrative employees providing education to approximately 635 students.

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Governmental Funds

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

The following are the District's major governmental funds:

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

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

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

Proprietary Funds

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

Fiduciary Fund

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

C. Measurement Focus

Government-Wide Financial Statements

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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 2012 (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 2012.

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, 2012

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 2012 amounted to \$3,957, which includes \$787 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, 2012, 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, 2012

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

M. Net Assets

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

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

N. Fund Balance

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, 2012

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 2012, the District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". The implementation of GASB Statement No. 57 and 64 had no effect on the prior period fund balances of the District.

For fiscal year 2012, the District reclassified several funds to comply with GASB Statement No. 54, which had the following effect on the fund balances as they were previously reported.

	General	Other Governmental Funds
Fund Balance, June 30, 2011	\$2,606,149	\$109,939
Change in Fund Structure	60,438	(60,438)
Adjusted Fund Balance, June 30, 2011	\$2,666,587	\$49,501

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 assets/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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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.

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, 2012:

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

	General
Cash Basis	(\$520,638)
Encumbrances	138,559
<i>Prospective Difference:</i>	
Activity of Funds Reclassified for Reporting Purposes	<u>(241,569)</u>
Budgetary Basis	<u><u>(\$623,648)</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 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.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 5 -DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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, 2012*

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, 2012, the carrying amounts of all the District deposits were \$2,698,685. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2012, \$2,217,463 of the District's bank balance of \$2,717,463 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 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricualtural/Residential and Other Real Estate	\$125,888,040	91.76%	\$126,326,700	91.17%
Public Utility Personal	11,272,030	8.22%	\$12,236,770	8.83%
Tangible Personal Property	38,220	0.02%	0	0.00%
Total Assessed Value	<u>\$137,198,290</u>	<u>100.00%</u>	<u>\$138,563,470</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, 2012*

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, 2012 are available to finance fiscal year 2012 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 \$1,148,416 are credited to the General Fund for fiscal year 2012.

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 2012, 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)	\$23,804,055
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, 2012*

NOTE 8 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2012, 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 to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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 fiscal year ended June 30, 2012, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 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, 2012, 2011, and 2010, were \$170,397, \$165,963, and 135,780 respectively. For fiscal year 2012, 33.14 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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.org.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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, 2012, 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 \$363,539 and \$33,606 for the fiscal year ended June 30, 2012, \$358,258 and \$27,283 for the fiscal year ended June 30, 2011, and \$364,672 and \$20,038 for the fiscal year ended June 30, 2010. The full amount has been contributed for fiscal years 2012, 2011 and 2010. Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 was \$259,670 made by the members and \$24,005 made by the Combined Plan members. In addition, member contributions of \$7,268 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, 2012, one member of the Board of Education 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, 2012*

NOTE 10 - POST-EMPLOYMENT BENEFITS - (Continued)

School Employees 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 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 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 2012, 2.19 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 2012, this amount was \$35,800. During fiscal year 2012, 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, 2012, 2011, and 2010 were \$27,196, \$28,405, and \$11,018, respectively. For fiscal year 2012, 10 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.76 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$1,321, \$1,380, and \$961 respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

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 or by calling (888) 227-7877.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 10 - POST-EMPLOYMENT 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 2012, 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, 2012, 2011, and 2010 were \$31,108, \$38,076, and \$20,883 respectively. For fiscal year 2012, 74.96 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012 were as follows:

Governmental Activities	Issue Date	Interest Rate	Principal Outstanding July 1, 2011	Additions	Deletions	Principal Outstanding June 30, 2012	Due in One Year
General Obligation Bonds	1995	6.20%	\$2,000,000	\$0	\$155,000	\$1,845,000	\$160,000
Certificates of Participation	2007	4.52%	2,950,000	0	85,000	2,865,000	90,000
Total Government Activities			<u>\$4,950,000</u>	<u>\$0</u>	<u>\$240,000</u>	<u>\$4,710,000</u>	<u>\$250,000</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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 \$1,845,000 with an interest rate of 6.20%.

The certificates of participation outstanding relates to a project approved in 2007, which were issued in the amount of \$3,195,000 and are for the purpose of renovating, repairing and improving school facilities. These certificates mature in December 2033, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,865,000 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, 2012 are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2013	\$160,000	\$109,430	\$90,000	\$121,256	\$480,686
2014	170,000	99,200	90,000	117,769	476,969
2015	180,000	88,350	95,000	114,069	477,419
2016	190,000	76,880	100,000	110,169	477,049
2017	205,000	64,635	105,000	106,069	480,704
2018-2022	940,000	120,590	575,000	462,056	2,097,646
2023-2027	0	0	720,000	324,188	1,044,188
2028-2032	0	0	890,000	148,079	1,038,079
2033	0	0	200,000	4,500	204,500
Total	<u>\$1,845,000</u>	<u>\$559,085</u>	<u>\$2,865,000</u>	<u>\$1,508,155</u>	<u>\$6,777,240</u>

The District's overall legal debt margin was \$10,625,712 with an unvoted debt margin of \$138,563 at June 30, 2012.

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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	35,394	0	0	35,394
Scholarships/Trusts	0	0	24,952	24,952
<i>Special Revenues:</i>				
Federal Grants	0	0	16,281	16,281
Athletics	0	0	15,954	15,954
Debt Service	0	356,117	0	356,117
<i>Committed:</i>				
Termination Benefits	30,328	0	0	30,328
<i>Assigned:</i>				
Encumbrances	1,743,818	0	0	1,743,818
Public School Support	17,326	0	0	17,326
Uniform School Supplies	43	0	0	43
<i>Unassigned</i>	<u>317,904</u>	<u>0</u>	<u>0</u>	<u>317,904</u>
Total Fund Balances	<u>\$2,145,949</u>	<u>\$356,117</u>	<u>\$57,187</u>	<u>\$2,559,253</u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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, 2012.

The following cash basis changes occurred in the District's set-aside reserve account during fiscal year 2012:

	<u>Capital Improvement</u>
Set Aside Balances Carried Forward as of June 30, 2011	\$7,262
FY 2012 Set Aside Required	107,998
FY 2012 Qualifying Disbursements	<u>79,866</u>
Set Aside Balances Carried Forward to FY 2012	<u>35,394</u>
Set Aside Reserve Balances at June 30, 2012	<u>35,394</u>
Total Restricted Assets	<u><u>\$35,394</u></u>

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

NOTE 15 – ENCUMBRANCE COMMITMENTS

At June 30, 2012, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$138,559
<u>Nonmajor Funds</u>	
Athletics	1,309
Race To The Top	874
Title I Grant	<u>155</u>
Total Nonmajor Funds	<u>2,338</u>
Total Encumbrances	<u><u>\$140,897</u></u>

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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, 2012.

THIS PAGE INTENTIONALLY LEFT BLANK

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 16,209	\$ 16,209
School Breakfast Program	10.553	40,231	40,231
National School Lunch Program	10.555	129,897	129,897
Total Nutrition Cluster		<u>186,337</u>	<u>186,337</u>
Total U.S. Department of Agriculture		<u>186,337</u>	<u>186,337</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education_Grants to States Program	84.027	119,010	119,010
Title I Cluster:			
Title I Grants to Local Educational Agencies Program	84.010	168,452	171,109
ARRA - Title I Grants to Local Educational Agencies	84.389	2,893	4,311
Total Title I Grants Cluster		<u>171,345</u>	<u>175,420</u>
Education Jobs Fund	84.410	2,383	2,383
Race to the Top - ARRA	84.395	31,881	24,840
Education Technology State Grants Program	84.318	1,329	1,329
Improving Teacher Quality State Grants Program	84.367	24,612	24,612
Total U.S. Department of Education		<u>350,560</u>	<u>347,594</u>
Totals		<u>\$ 536,897</u>	<u>\$ 533,931</u>

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, 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.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 2012-001.

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 the Walnut Township Local School District's major federal program for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

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 program. 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 2012-003 and 2012-004 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.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.ohioauditor.gov

Qualified Opinion on Title I 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, 2012.

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, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report and is described in the accompanying schedule of findings as item 2012-002. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance findings are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on them.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Internal Control over Compliance (Continued)

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 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 2012-003 and 2012-004 to be material weaknesses.

The District's responses to our internal control over compliance findings are 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)

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

FINDING NUMBER 2012-001

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, 2012, 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.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2012-002

Noncompliance – Single Audit

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .200(a) provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted for that year in accordance with the provisions of this part.

Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2012, however, it did not ensure that a single audit was conducted within the time period specified by OMB Circular A-133 Section .320(a).

We recommend the Treasurer and Grant Coordinator develop procedures to ensure that a single audit is conducted for any fiscal year in which the \$500,000 expenditure threshold is exceeded.

Official's Response: When the District calculated FY2012 federal expenditures the lunchroom was not included. This was an error and it has been corrected.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS – (Continued)

Noncompliance – Material Weakness – Cash Management

Finding Number	2012-003
CFDA Title and Number	84.010 Title I Grants to Local Educational Agencies
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	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 2012, 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 Past the 30-day Limit
Title I	2012	\$23,544.50	9/7/2011	11/8/2011	32
Title I	2012	20,564.00	11/14/2011	12/22/2011	8
Title I	2012	20,564.00	12/29/2011	3/8/2012	39
Title I	2012	20,112.00	1/31/2012	3/8/2012	7
Title I	2012	30,794.26	6/8/2012	7/17/2012	9

Imputed interest as a result of the above non-compliance resulted in an estimated \$17 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, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance – Material Weakness – Project Cash Requests – Cash Management

Finding Number	2012-004
CFDA Title and Number	84.010 – Title I Grants to Local Agencies
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	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 District 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	8/26/11	\$4,503.50	\$4,182.39	\$321.11
Title I	84.010	12/14/11	54,084.74	51,084.74	3,000.00
Title I	84.010	4/2/12	104,527.96	108,752.86	4,224.90

While the District has controls to facilitate compliance with these reporting requirements, we recommend the District help 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance – Material Weakness – Project Cash Requests – Cash Management (Continued)

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 FY2012 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, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	When the District calculated FY2012 federal expenditures the lunchroom was not included. This was an error and it has been corrected.	7/18/14	Kirk Grandy, Treasurer
2012-003	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
2012-004	The District requested funds in the same manner during FY2012 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, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Financial Statements not being prepared in accordance with GAAP – OAC 117-2-03(B).	No	Repeated as Finding 2012-001

This page intentionally left blank.



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**