



**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walnut Township Local School District, Fairfield County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 6, 2009

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008. 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, 2008 are \$6,268,294. This balance was comprised of a \$777,516 balance in net asset amounts restricted for specific purposes, and \$5,490,778 in unrestricted net assets.

In total, net assets of governmental activities increased by \$2,895,691, which represents an 87.75 percent increase from 2007. Net assets of the business-type activities increased \$19,713 which represents a 37.15 percent increase from 2007.

General receipts accounted for \$9,119,302 or 89.46 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$1,074,044 or 10.54 percent of total receipts of \$10,193,346 for the governmental activities.

The District had \$7,254,183 in disbursements related to governmental activities; only \$1,074,044 of these disbursements was offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes, grants and entitlements, and bond proceeds) of \$9,119,302 were used to provide for the remainder of these programs.

The District had \$309,148 in disbursements related to business-type activities; \$325,173 of these disbursements was offset by program specific charges for services and sales, operating grants and contributions.

The District recognizes three major governmental funds: the General, Bond Retirement and Permanent Improvement 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 \$6,246,539 in receipts and \$5,902,974 in disbursements in fiscal year 2008.

The District incurred \$3,195,000 in a Certificate of Participation Project in fiscal year 2008, which were issued for the purpose of renovating, repairing and improving school facilities.

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
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

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 focuses 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
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 2008 compared to fiscal year 2007:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Assets:</u>						
Cash and Cash Equivalents	\$6,195,512	\$3,299,821	\$72,782	\$53,069	\$6,268,294	\$3,352,890
<i>Total Assets</i>	<u>\$6,195,512</u>	<u>\$3,299,821</u>	<u>\$72,782</u>	<u>\$53,069</u>	<u>\$6,268,294</u>	<u>\$3,352,890</u>
<u>Net Assets:</u>						
Restricted	\$777,516	\$862,109	\$0	\$0	\$777,516	\$862,109
Unrestricted	5,417,996	2,437,712	72,782	53,069	5,490,778	2,490,781
<i>Total Net Assets</i>	<u>\$6,195,512</u>	<u>\$3,299,821</u>	<u>\$72,782</u>	<u>\$53,069</u>	<u>\$6,268,294</u>	<u>\$3,352,890</u>

Cash and Cash Equivalents increased \$2,861,630 from fiscal year 2007 due to the receipt of additional income taxes, additional grants, and increased rates on invested funds, bond proceeds and conservative spending.

The District's largest portion of net assets is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

The remaining balance of \$2,812,366 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Table 2 shows the changes in net assets for fiscal year 2008 and provides a comparison to fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$403,190	\$399,800	\$173,592	\$187,510	\$576,782	\$587,310
Operating Grants and Contributions	612,324	584,408	151,581	97,007	763,905	681,415
Capital Grants and Contributions	58,530	0	0	0	58,530	0
<i>General Receipts:</i>						
Property Taxes	2,983,663	2,870,228	0	0	2,983,663	2,870,228
Income Taxes	1,113,990	1,074,860	0	0	1,113,990	1,074,860
Unrestricted Grants and Entitlements	1,644,860	1,625,824	0	0	1,644,860	1,625,824
Investments Earnings	159,041	218,354	0	0	159,041	218,354
Certificates of Participation Issued	3,195,000	0	0	0	3,195,000	0
Miscellaneous	22,748	135,498	3,688	2,592	26,436	138,090
Total Receipts	10,193,346	6,908,972	328,861	287,109	10,522,207	7,196,081
<u>Disbursements:</u>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	2,750,192	2,596,955	0	0	2,750,192	2,596,955
Special	906,540	752,626	0	0	906,540	752,626
Vocational	59,697	55,695	0	0	59,697	55,695
Other	920	9,088	0	0	920	9,088

(Continued)

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<i>Support Services:</i>						
Pupils	243,495	225,073	0	0	243,495	225,073
Instructional Staff	145,398	212,966	0	0	145,398	212,966
Board of Education	159,759	149,627	0	0	159,759	149,627
Administration	429,793	443,369	0	0	429,793	443,369
Fiscal	379,805	352,765	0	0	379,805	352,765
Business	1,788	4,071	0	0	1,788	4,071
Operation and Maintenance of Plant	889,311	604,209	0	0	889,311	604,209
Pupil Transportation	375,052	361,681	0	0	375,052	361,681
Central	14,399	20,009	0	0	14,399	20,009
Non-Instructional	5,940	780	0	0	5,940	780
Extracurricular Activities	228,909	201,534	0	0	228,909	201,534
Facilities Acquisition & Construction Services	58,250	0	0	0	58,250	0
Principal Retirement	240,000	230,000	0	0	240,000	230,000
Interest and Fiscal Charges	364,935	176,691	0	0	364,935	176,691
Food Service	0	0	289,455	273,709	289,455	273,709
Uniform School Supplies	0	0	19,693	20,906	19,693	20,906
<i>Total Disbursements</i>	<u>7,254,183</u>	<u>6,397,139</u>	<u>309,148</u>	<u>294,615</u>	<u>7,563,331</u>	<u>6,691,754</u>
<i>Changes in Net Assets Before Discount on Debt or Transfers</i>	2,939,163	511,833	19,713	(7,506)	2,958,876	504,327
Discount on Debt	(43,472)	0	0	0	(43,472)	0
Net Transfers	0	(5,098)	0	5,098	0	0
<i>Changes in Net Assets</i>	<u>2,895,691</u>	<u>506,735</u>	<u>19,713</u>	<u>(2,408)</u>	<u>2,915,404</u>	<u>504,327</u>
<i>Net Assets at Beginning of Year</i>	<u>3,299,821</u>	<u>2,793,086</u>	<u>53,069</u>	<u>55,477</u>	<u>3,352,890</u>	<u>2,848,563</u>
<i>Net Assets at End of Year</i>	<u><u>\$6,195,512</u></u>	<u><u>\$3,299,821</u></u>	<u><u>\$72,782</u></u>	<u><u>\$53,069</u></u>	<u><u>\$6,268,294</u></u>	<u><u>\$3,352,890</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 73.83 percent of the total governmental activities. Regular Instruction, which accounts for 37.91 percent of the total, represents costs associated with providing general educational services. Special Instruction, which accounts for 12.50 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 12.26 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 5.92 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Fiscal, which represents 5.24 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, grants and entitlements not restricted for specific programs, and certificate of participation bonds accounts for 87.69 percent of total receipts for governmental activities.

As noted previously, the net assets for the governmental activities increased \$2,895,691 or 87.75 percent. This is an increase from last year when net assets increased \$506,735 or 18.14 percent. Total receipts increased \$3,284,377 or 47.54 percent over last year and disbursements increased \$857,044 or 13.40 percent over last year.

The District had program receipt increases of \$89,836, as well as an increase in general receipts of \$3,194,538. The increase in general receipts is mostly due to the District issuing certificates of participation during the year.

The total disbursements for governmental activities increased \$857,044 due to an increase in regular instruction, special instruction, and operation and maintenance of plant. The majority of the increase is the result of annual salary increases. The remaining difference is due to normal increases in disbursements.

The most significant program disbursements for the District's business-type activities are the Food Service. This program, which accounts for 93.62 percent of the total business-type activities, represents costs associated with food service operations.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes and intergovernmental receipts and, like most Ohio schools, is hampered by a lack of revenue growth. However, property taxes made up 29.27 percent, income taxes made up 10.93 percent and intergovernmental receipts made up 16.14 percent of the total receipts for the governmental activities in fiscal year 2008. The issuance of COPs bonds for renovating, repairing, and improving school facilities made up 31.35 percent.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

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

The District's income tax receipts consist of a 1.25 percent voted income tax levy. During fiscal year 2008, the District received \$1,113,990, which represents 10.93 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 2008, the District received \$1,484,561 through the State's foundation program, which represents 14.56 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 49.15 percent of governmental activities program disbursements. Support services expenses make up 34.89 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 include the food service and uniform school supplies. These programs had program receipts of \$325,173 and disbursements of \$309,148 for fiscal year 2008. Almost 48 percent of those 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 2008 and comparison to fiscal year 2007. That is, it identifies the cost of these services supported by tax receipts, income tax receipts and unrestricted State entitlements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$3,717,349	\$2,937,321	\$3,414,364	\$2,666,453
Support Services	2,638,800	2,435,984	2,373,770	2,197,037
Non-Instructional Services	5,940	5,940	780	780
Extracurricular Activities	228,909	191,073	201,534	141,970
Capital Outlay	58,250	4,886	0	0
Principal Retirement	240,000	240,000	230,000	230,000
Interest and Fiscal Charges	364,935	364,935	176,691	176,691
<i>Business-Type Activities:</i>				
Food Service	289,455	(17,959)	273,709	7,215
Uniform School Supplies	19,693	1,934	20,906	2,883
Total Disbursements	<u>\$7,563,331</u>	<u>\$6,164,114</u>	<u>\$6,691,754</u>	<u>\$5,423,029</u>

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 and other financing sources of \$10,193,346 and disbursements and other financing uses of \$7,297,655.

Total governmental funds fund balance increased by \$2,895,691. The increase in fund balance for the year was most significant in the Permanent Improvement Fund, an increase of \$2,746,115 due to the issuing of certificates of participation. The General Fund increased in fund balance by \$343,565, which occurred as a result of the receipts exceeding disbursements during fiscal year 2008.

The District should remain stable through fiscal year 2009. However, projections beyond fiscal year 2009 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

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 cash flow plan for the General Fund. Actual cash flow 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 \$6,239,880 representing no increase from the original budget estimates. For the General Fund, the final budget basis disbursements were \$6,661,805 representing an increase of \$560,962 from the original budget estimates of \$6,100,843. The final budget reflected a 9.19 percent increase from the original budgeted amount. The difference is the result of low estimates in many of the disbursements on the original budget.

Debt Administration

At June 30, 2008, the District had total outstanding debt of \$5,605,000 with \$215,000 due within one year. Table 4 summarizes the debt outstanding for fiscal year 2008 compared to fiscal year 2007.

Table 4
Outstanding Debt, Governmental Activities at Year End

Purpose	2008	2007
1985 School Improvement Bonds	\$0	\$115,000
1995 School Improvement Bonds	2,410,000	2,535,000
Certificates of Participation Project	3,195,000	0
Total	<u>\$5,605,000</u>	<u>\$2,650,000</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.

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 approximately 40.20 percent of revenues for governmental activities for the District in fiscal year 2008. Of this 40.20 percent, 10.93 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 Governors 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
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<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	\$6,195,512	\$72,782	\$6,268,294
<i>Total Assets</i>	<u>\$6,195,512</u>	<u>\$72,782</u>	<u>\$6,268,294</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Textbooks and Instructional Materials	\$119,901	\$0	\$119,901
Bus Purchases	5,709	0	5,709
Debt Service	360,128	0	360,128
Other Purposes	291,778	0	291,778
Unrestricted	<u>5,417,996</u>	<u>72,782</u>	<u>5,490,778</u>
<i>Total Net Assets</i>	<u>\$6,195,512</u>	<u>\$72,782</u>	<u>\$6,268,294</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
<i>Instruction:</i>							
Regular	\$2,750,192	\$370,300	\$48,885	\$5,166	(\$2,325,841)	\$0	(\$2,325,841)
Special	906,540	0	355,088	0	(551,452)	0	(551,452)
Vocational	59,697	0	589	0	(59,108)	0	(59,108)
Other	920	0	0	0	(920)	0	(920)
<i>Support Services:</i>							
Pupils	243,495	0	0	0	(243,495)	0	(243,495)
Instructional Staff	145,398	0	40,951	0	(104,447)	0	(104,447)
Board of Education	159,759	0	0	0	(159,759)	0	(159,759)
Administration	429,793	137	20,531	0	(409,125)	0	(409,125)
Fiscal	379,805	0	5,000	0	(374,805)	0	(374,805)
Business	1,788	0	0	0	(1,788)	0	(1,788)
Operation and Maintenance of Plant	889,311	0	0	0	(889,311)	0	(889,311)
Pupil Transportation	375,052	0	130,197	0	(244,855)	0	(244,855)
Central	14,399	0	6,000	0	(8,399)	0	(8,399)
Operation of Non-Instructional Services	5,940	0	0	0	(5,940)	0	(5,940)
Extracurricular Activities	228,909	32,753	5,083	0	(191,073)	0	(191,073)
Facilities Acquisition & Construction Services	58,250	0	0	53,364	(4,886)	0	(4,886)
Principal Retirement	240,000	0	0	0	(240,000)	0	(240,000)
Interest and Fiscal Charges	364,935	0	0	0	(364,935)	0	(364,935)
<i>Total Governmental Activities</i>	<u>7,254,183</u>	<u>403,190</u>	<u>612,324</u>	<u>58,530</u>	<u>(6,180,139)</u>	<u>0</u>	<u>(6,180,139)</u>
<u>Business-Type Activities:</u>							
Food Service	289,455	155,833	151,581	0	0	17,959	17,959
Uniform School Supplies	19,693	17,759	0	0	0	(1,934)	(1,934)
<i>Total Business-Type Activities</i>	<u>309,148</u>	<u>173,592</u>	<u>151,581</u>	<u>0</u>	<u>0</u>	<u>16,025</u>	<u>16,025</u>
Totals	<u><u>\$7,563,331</u></u>	<u><u>\$576,782</u></u>	<u><u>\$763,905</u></u>	<u><u>\$58,530</u></u>	<u><u>(6,180,139)</u></u>	<u><u>16,025</u></u>	<u><u>(6,164,114)</u></u>
<u>General Receipts:</u>							
<i>Property Taxes Levied for:</i>							
General Purposes					2,731,025	0	2,731,025
Debt Service					252,638	0	252,638
Income Taxes					1,113,990	0	1,113,990
Grants and Entitlements not Restricted to Specific Programs					1,644,860	0	1,644,860
Certificates of Participation Bond Proceeds					3,195,000	0	3,195,000
Investment Earnings					159,041	0	159,041
Miscellaneous					22,748	3,688	26,436
<i>Total General Receipts</i>					<u>9,119,302</u>	<u>3,688</u>	<u>9,122,990</u>
Discount on Debt					(43,472)	0	(43,472)
<i>Total General Receipts and Discount on Debt</i>					<u>9,075,830</u>	<u>3,688</u>	<u>9,079,518</u>
Change in Net Assets					2,895,691	19,713	2,915,404
<i>Net Assets at Beginning of Year</i>					<u>3,299,821</u>	<u>53,069</u>	<u>3,352,890</u>
<i>Net Assets at End of Year</i>					<u><u>\$6,195,512</u></u>	<u><u>\$72,782</u></u>	<u><u>\$6,268,294</u></u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,727,503	\$360,128	\$2,804,022	\$178,249	\$6,069,902
<i>Restricted Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	125,610	0	0	0	125,610
<i>Total Assets</i>	<u>\$2,853,113</u>	<u>\$360,128</u>	<u>\$2,804,022</u>	<u>\$178,249</u>	<u>\$6,195,512</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	109,030	0	1,432,658	12,081	1,553,769
Reserved for Textbooks and Instructional Material	119,901	0	0	0	119,901
Reserved for Bus Purchases	5,709	0	0	0	5,709
<i>Unreserved, Designated for Termination Benefits Reported in:</i>					
Special Revenue Funds	0	0	0	94,848	94,848
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	2,618,473	0	0	0	2,618,473
Special Revenue Funds	0	0	0	71,320	71,320
Debt Service Fund	0	360,128	0	0	360,128
Capital Projects Fund	0	0	1,371,364	0	1,371,364
<i>Total Fund Balances</i>	<u>\$2,853,113</u>	<u>\$360,128</u>	<u>\$2,804,022</u>	<u>\$178,249</u>	<u>\$6,195,512</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$2,731,025	\$252,638	\$0	\$0	\$2,983,663
Income Taxes	1,113,990	0	0	0	1,113,990
Intergovernmental	1,857,528	32,689	0	350,312	2,240,529
Interest	159,041	0	53,364	0	212,405
Tuition and Fees	370,300	0	0	0	370,300
Extracurricular Activities	0	0	0	32,890	32,890
Gifts and Donations	1,400	0	0	21,821	23,221
Miscellaneous	13,255	0	0	8,093	21,348
Total Receipts	6,246,539	285,327	53,364	413,116	6,998,346
<u>Disbursements:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	2,658,229	0	0	91,963	2,750,192
Special	664,712	0	0	241,828	906,540
Vocational	59,697	0	0	0	59,697
Other	920	0	0	0	920
<i>Support Services:</i>					
Pupils	243,495	0	0	0	243,495
Instructional Staff	88,323	0	0	57,075	145,398
Board of Education	159,759	0	0	0	159,759
Administration	405,580	0	0	24,213	429,793
Fiscal	371,383	4,212	710	3,500	379,805
Business	1,788	0	0	0	1,788
Operation and Maintenance of Plant	638,480	0	250,831	0	889,311
Pupil Transportation	375,052	0	0	0	375,052
Central	9,149	0	0	5,250	14,399
Operation of Non-Instructional Services	328	0	0	5,612	5,940
Extracurricular Activities	168,744	0	0	60,165	228,909
Facilities Acquisition & Construction Services	0	0	58,250	0	58,250
<i>Debt Service:</i>					
Principal Retirement	0	240,000	0	0	240,000
Interest and Other Fiscal Charges	57,335	158,614	148,986	0	364,935
Total Disbursements	5,902,974	402,826	458,777	489,606	7,254,183
Excess of Receipts Over (Under) Disbursements	343,565	(117,499)	(405,413)	(76,490)	(255,837)
<u>Other Financing Sources (Uses):</u>					
Certificates of Participation Bond Proceeds	0	0	3,195,000	0	3,195,000
Discount on Sale of Debt	0	0	(43,472)	0	(43,472)
Total Other Financing Sources (Uses)	0	0	3,151,528	0	3,151,528
Net Change in Fund Balances	343,565	(117,499)	2,746,115	(76,490)	2,895,691
Fund Balances at Beginning of Year	2,509,548	477,627	57,907	254,739	3,299,821
Fund Balances at End of Year	\$2,853,113	\$360,128	\$2,804,022	\$178,249	\$6,195,512

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Receipts:</u>				
Property Taxes	\$2,731,025	\$2,731,025	\$2,731,025	\$0
Income Taxes	1,113,990	1,113,990	1,113,990	0
Intergovernmental	1,857,528	1,857,528	1,857,528	0
Interest	152,382	152,382	159,041	6,659
Tuition and Fees	370,300	370,300	370,300	0
Gifts and Donations	1,400	1,400	1,400	0
Miscellaneous	13,255	13,255	13,255	0
<i>Total Receipts</i>	<u>6,239,880</u>	<u>6,239,880</u>	<u>6,246,539</u>	<u>6,659</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	2,774,419	2,903,847	2,670,154	233,693
Special	616,790	708,045	665,805	42,240
Vocational	60,524	61,524	59,697	1,827
Other	9,753	9,753	920	8,833
<i>Support Services:</i>				
Pupils	291,693	329,493	244,772	84,721
Instructional Staff	114,321	122,072	100,423	21,649
Board of Education	187,114	188,064	160,546	27,518
Administration	447,338	453,638	407,694	45,944
Fiscal	370,689	383,132	372,978	10,154
Business	5,100	5,100	1,788	3,312
Operation and Maintenance of Plant	689,419	756,319	669,938	86,381
Pupil Transportation	351,639	451,939	393,310	58,629
Central	24,299	30,399	23,898	6,501
Operation of Non-Instructional Services	3,000	3,000	328	2,672
Extracurricular Activities	154,745	198,145	182,419	15,726
<i>Debt Service:</i>				
Interest	0	57,335	57,335	0
<i>Total Disbursements</i>	<u>6,100,843</u>	<u>6,661,805</u>	<u>6,012,005</u>	<u>649,800</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>139,037</u>	<u>(421,925)</u>	<u>234,534</u>	<u>656,459</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(2,104,124)	(2,087,624)	0	2,087,624
<i>Total Other Financing Sources (Uses)</i>	<u>(2,104,124)</u>	<u>(2,087,624)</u>	<u>0</u>	<u>2,087,624</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(1,965,087)	(2,509,549)	234,534	2,744,083
<i>Fund Balance at Beginning of Year</i>	2,378,184	2,378,184	2,378,184	0
Prior Year Encumbrances Appropriated	131,365	131,365	131,365	0
<i>Fund Balance at End of Year</i>	<u>\$544,462</u>	<u>\$0</u>	<u>\$2,744,083</u>	<u>\$2,744,083</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2008**

	<u>Enterprise Funds</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$72,782</u>
<i>Total Assets</i>	<u><u>\$72,782</u></u>
<u>Net Assets:</u>	
Unrestricted	<u>\$72,782</u>
<i>Total Net Assets</i>	<u><u>\$72,782</u></u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Funds</u>
<u>Operating Receipts:</u>	
Charges for Services	\$173,592
Other Revenues	<u>3,688</u>
<i>Total Operating Receipts</i>	<u>177,280</u>
<u>Operating Disbursements:</u>	
Salaries	114,025
Fringe Benefits	54,853
Purchased Services	2,451
Materials and Supplies	<u>137,819</u>
<i>Total Operating Disbursements</i>	<u>309,148</u>
<i>Operating Loss</i>	<u>(131,868)</u>
<u>Nonoperating Receipts:</u>	
Federal and State Subsidies	<u>151,581</u>
<i>Total Nonoperating Receipts</i>	<u>151,581</u>
<i>Change in Net Assets</i>	19,713
<i>Net Assets at Beginning of Year</i>	<u>53,069</u>
<i>Net Assets at End of Year</i>	<u><u>\$72,782</u></u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$16,767</u>
<u>Liabilities:</u>	
Due to Students	<u>\$16,767</u>
<i>Total Liabilities</i>	<u>\$16,767</u>

See accompanying notes to the basic financial statements.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 31 classified and 51 teaching personnel and 4 administrative employees providing education to approximately 684 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 15 and 16 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
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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.

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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 and payment of general obligation bonds.

Permanent Improvement Fund - This fund is used to account for financial resources to be used for the acquisition, construction or improvement of capital facilities.

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

Proprietary Funds

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

Fiduciary Fund

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

C. Measurement Focus

Government-Wide Financial Statements

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

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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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 2008 (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 2008.

F. Inventory

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

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 and Food Service (Enterprise) Funds. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$159,041, which includes \$38,213 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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, 2008, the District reported restricted assets in the General Fund which represent cash and cash equivalents set aside for textbooks and instructional materials, and for bus purchases.

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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The District first applies restricted resources when a disbursement is paid for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves and Designations

The District reserves those portions of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and instructional materials, and bus purchases.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

The District has designated monies for future payments of early termination benefits.

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 for goods or services that is the primary activity of that fund. Receipts and disbursements not meeting these definitions are reported as nonoperating.

NOTE 3 - NEW GASB PRONOUNCEMENT

For fiscal year 2008, the District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB No. 50, "Pension Disclosures".

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The following table summarizes the adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund for the year ended June 30, 2008:

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

	<u>General Fund</u>
Cash Basis	\$233,073
Adjustments:	
Encumbrances	<u>(109,030)</u>
Budgetary Basis	<u><u>\$342,101</u></u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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);

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2008, the carrying amount of all the District deposits were \$6,285,061. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2008, \$6,129,028 of the District's bank balance of \$6,429,028 was exposed to custodial risk as discussed below, while \$300,000 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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 2008 taxes were collected are:

	2007 Second - Half Collections		2008 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$104,955,040	92.2%	\$121,289,240	93.4%
Public Utility Personal	8,241,360	7.2%	8,340,440	6.4%
Tangible Personal Property	651,097	0.6%	244,920	0.2%
Total Assessed Value	\$113,847,497	100.0%	\$129,874,600	100.0%
Tax rate per \$1,000 of assessed valuation	\$37.70		\$37.70	

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

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 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 \$1,113,990 are credited to the General Fund for fiscal year 2008.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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 2008, the District contracted with Auto-Owner's Mutual Insurance Company for fleet insurance and Harcum-Schuett Insurance Agency, Inc. for liability insurance and inland marine coverage. Coverages provided are as follows:

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

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

Workers' Compensation

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate for the District is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$90,142, \$91,012, and \$53,178, respectively; 27.34 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$65,499 representing the unpaid contribution for fiscal year 2008 is recorded as a liability.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. Of the District's contribution, 13 percent was used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$343,518, \$367,473, and \$321,154, respectively; 75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

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

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

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

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent contribution is the maximum rate allowed under Ohio law.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - POST-EMPLOYMENT BENEFITS - (Continued)

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$26,424, \$28,267, and \$24,704 respectively; 100 percent has been contributed for years 2008, 2007, and 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007 (the latest information year available). For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administrated in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 4.18 percent. The actuarially required contributions (ARC), as of December 31, 2006 annual valuation was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007, 2006 were \$37,887, \$39,285, and \$27,121 respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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

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

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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 2008 were as follows:

	Issue Date	Interest Rate	Principal Outstanding July 1, 2007	Additions	Deletions	Principal Outstanding June 30, 2008	Due in One Year
Governmental Activities							
General Obligation Bonds	1985	9.25%	\$115,000	\$0	\$115,000	\$0	\$0
General Obligation Bonds	1995	5.77%	2,535,000	0	125,000	2,410,000	130,000
Certificates of Participation	2007	4.52%	0	3,195,000	0	3,195,000	85,000
Total Government Activities			\$2,650,000	\$3,195,000	\$240,000	\$5,605,000	\$215,000

The \$5,605,000 of outstanding general obligation bonds relate to two projects. The first bond issue outstanding relates to a project approved in 1995, for which bonds were issued for the purpose of renovating, repairing and improving school facilities and constructing a media/computer lab addition to the high school and improving the site thereof. These bonds mature in December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an outstanding balance of \$2,410,000 with an interest rate of 5.77%.

The certificates of participation relates to a project approved in 2007, which were issued 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 \$3,195,000 with an interest rate of 4.52%.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements, which are paid out of the Debt Service Fund, to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal Year June 30	General Obligation Bonds		Certificates of Participation		Total
	Principal	Interest	Principal	Interest	
2009	\$130,000	\$145,390	\$85,000	\$133,419	\$493,809
2010	135,000	137,175	80,000	130,529	482,704
2011	145,000	128,495	80,000	127,631	481,126
2012	155,000	119,195	85,000	124,538	483,733
2013	160,000	109,430	90,000	121,256	480,686
2014-2018	960,000	380,680	495,000	549,945	2,385,625
2019-2023	725,000	68,975	600,000	437,218	1,831,193
2024-2028	0	0	755,000	292,179	1,047,179
2029-2033	0	0	925,000	107,557	1,032,557
Total	<u>\$2,410,000</u>	<u>\$1,089,340</u>	<u>\$3,195,000</u>	<u>\$2,024,272</u>	<u>\$8,718,612</u>

The District's overall legal debt margin was \$6,083,714 with an unvoted debt margin of \$129,875 at June 30, 2008.

NOTE 13 - CONTRACTUAL COMMITMENTS

At June 30, 2008, the District had nine contractual commitments from proceeds of certificate of participation bonds. The amount for each project is as follows:

Contractor	Project	Purchase Commitment s	Amount Paid as of June 30, 2008	Amount Remaining on Contract
Duro-Last Roofing	Roof Replacement	\$342,300	\$85,823	\$256,477
Layton Excavating	Site Improvements	322,754	0	322,754
Haslett Heating & Cooling	Elementary HVAC Unit	323,700	0	323,700
Comerica Leasing, Inc.	Phones & Tech	216,256	18,021	198,235
Dave York Sports	Bleacher Replacement	99,999	0	99,999
Trane	HVAC Units	91,065	0	91,065
Focus Floors	Carpeting	63,273	0	63,273
MG Abbott, Inc.	Electrical	23,979	0	23,979
Martin Painting	Painting	20,870	0	20,870
		<u>\$1,504,196</u>	<u>\$103,844</u>	<u>\$1,400,352</u>

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14- STATUTORY SET ASIDES

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

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

	Textbook & Instructional Materials	Capital Improvement
Set Aside Balances Carried Forward as of June 30, 2007	\$65,736	\$0
Current Year Set Aside Requirement	105,168	105,168
Qualifying Disbursements	(51,003)	(131,350)
Set Aside Reserve Balances at June 30, 2008	\$119,901	(\$26,182)
Set Aside Balances Carried Forward to Fiscal Year 2009	\$119,901	\$0

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

NOTE 15- 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.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 16- 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 17 - 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 are 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, 2008.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walnut Township Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2009, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated February 6, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We did note a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 6, 2009.

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

We intend this report solely for the information and use of management and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 6, 2009

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

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, 2008, the District' 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 omit and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

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

Official's Response:

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

FINDING NUMBER 2008-002

Significant Deficiency

Bond Issuance Costs

During FY08, the District issued \$3,195,000 in Certificate of Participation bonds for the purpose of renovating, repairing, and improving school facilities. Since the bonds were purchased at a discount of \$43,472, the District actually received \$3,002,542 in proceeds. Underwriter fees and other costs amounting to \$148,986 relating to the issue were not recorded by the Treasurer and reflected in the financial statements.

The lack of recording underwriter fees, bond issuance costs, and discounts results in inaccurate financial reporting of the District's debt.

We recommend the Treasurer take steps to ensure the accurate presentation of the District's financial statements. Financial transactions such as debt issuance costs and discounts should be posted into the accounting system of the District.

The District's financial statements have been adjusted to accurately reflect underwriter fees, issuance costs, and discounts.

Official's Response:

The District will take measures to ensure underwriter fees and discounts are accurately reflected in the financial statements in the future.

**WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Statements - OAC 117-2-03(B).	No	Repeated as finding 2008-001.



Mary Taylor, CPA
Auditor of State

WALNUT TOWNSHIP LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2009