

BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

JAMES SZABO, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Big Walnut Local School District, Delaware County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Big Walnut Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 9, 2007

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BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

Table of Contents.....	1
Independent Auditor’s Report	2 - 3
Management’s Discussion and Analysis	4 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14 - 15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	20
Statement of Fiduciary Net Assets Agency Funds	21
Notes to the Basic Financial Statements.....	22 - 51
Supplemental Data:	
Schedule of Receipts and Expenditures of Federal Awards	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	53 - 54
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	55 - 56
Schedule of Findings	57



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, Ohio (the "School District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the District restated fund balances and net assets due to errors and omissions reported in prior years and changed its capital asset threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2007, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Julian & Grube, Inc.
March 8, 2007

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of Big Walnut Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2006 are as follows:

In total, net assets increased \$3,013,663, over 53 percent. For fiscal year 2006, the School District's revenues increased by 11 percent while expenses only increased 6.6 percent. The result, an increase in net assets.

General revenues were \$25,102,108, or 91 percent of total revenues, and reflect the School District's substantial dependence on local taxes and State funding.

In May 2006, the voters of the School District approved a five-year 1.25 mill emergency operating levy. The levy is expected to generate \$750,000 annually for general operations of the School District. Collections on this levy began January 1, 2007.

The School District's five-year forecast, approved by the Board of Education at least semi-annually, illustrates that estimated revenues are expected to exceed estimated expenses in each fiscal year beginning with fiscal year 2007. The Board of Education will closely monitor spending to extend the amount of time before it is necessary to ask voters for new operational funds.

As part of the recent bond issue, the School District requested a bond rating from Moody's Investor Service. The School District received an Aaa3 rating; this indicates Moody's trust in the financial health of the School District.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Big Walnut Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Big Walnut Local School District, the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund are the most significant funds.

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund.

Governmental Funds - All of the School District's programs are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$25,772,239	\$28,052,539
Capital Assets, Net	18,557,654	15,059,550
Total Assets	44,329,893	43,112,089
 <u>Liabilities:</u>		
Current and Other Liabilities	12,017,197	11,956,690
Long-Term Liabilities	23,677,346	25,533,712
Total Liabilities	35,694,543	37,490,402
 <u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	7,554,471	7,073,463
Restricted	1,045,907	975,179
Unrestricted (Deficit)	34,972	(2,426,955)
Total Net Assets	\$8,635,350	\$5,621,687

The above table demonstrates several significant changes from the prior fiscal year. While total assets only increased a modest 3 percent, there were sizable changes within both current and other assets and capital assets, net. For current and other assets, there was a \$3.8 million decrease in cash and cash equivalents which was primarily monies spent for construction activities. Note, that there was a corresponding increase in capital assets, net of \$3.5 million. This construction consisted of renovations and additions to the high school, as well as renovations at both the middle school and at Big Walnut elementary school. Another noteworthy increase within current and other assets is the increase in the receivable for property taxes and income taxes. These two revenue sources reflect an increase of \$1.5 million from the prior fiscal year (11 percent). This increase, combined with decreases in liabilities, resulted in the \$2.4 million increase in unrestricted net assets and eliminated the deficit net assets which occurred in fiscal year 2005.

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005.

Table 2
Change in Net Assets

	Governmental Activities	
	2006	2005
<u>Revenues:</u>		
Program Revenues		
Charges for Services	\$1,083,513	\$947,310
Operating Grants and Contributions	1,373,899	852,934
Capital Grants, Contributions, and Interest	21,659	0
Total Program Revenues	<u>2,479,071</u>	<u>1,800,244</u>
General Revenues		
Property Taxes Levied for General Purposes	11,310,488	10,426,364
Property Taxes Levied for Debt Service	2,258,006	2,435,898
Income Taxes Levied for General Purposes	4,545,105	3,407,202
Payment in Lieu of Taxes	18,000	0
Grants and Entitlements	6,191,456	6,295,937
Interest	664,609	232,483
Gifts and Donations	8,653	0
Miscellaneous	105,791	216,650
Total General Revenues	<u>25,102,108</u>	<u>23,014,534</u>
Total Revenues	<u>27,581,179</u>	<u>24,814,778</u>
<u>Expenses:</u>		
Instruction:		
Regular	10,640,482	8,761,417
Special	2,310,234	1,868,137
Vocational	361,900	267,551
Support Services:		
Pupils	1,217,465	1,174,961
Instructional Staff	1,112,190	1,578,318
Board of Education	159,106	0
Administration	1,644,074	1,978,286
Fiscal	708,063	548,260
Business	229,590	141,433
Operation and Maintenance of Plant	1,859,258	1,526,385
Pupil Transportation	1,809,895	1,650,474
Central	41,406	0
Non-Instructional Services	810,128	446,642
Extracurricular Activities	658,180	386,678
Interest and Fiscal Charges	1,005,545	2,718,329
Total Expenses	<u>24,567,516</u>	<u>23,046,871</u>
Increase in Net Assets	3,013,663	1,767,907
Net Assets at Beginning of Year	5,621,687	3,853,780
Net Assets at End of Year	<u>\$8,635,350</u>	<u>\$5,621,687</u>

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Program revenues, which are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues, only represented 9 percent of total revenues for fiscal year 2006; however, they increased 38 percent from fiscal year 2005. This increase is primarily made up of operating grants and contributions restricted for special instruction purposes.

As stated previously, the primary sources of general revenues are property taxes, income taxes, and unrestricted State resources (generally State foundation monies). Property taxes and income taxes account for 72 percent of general revenues (and 66 percent of total revenues) and unrestricted State resources account for 25 percent general revenues (and 22 percent of total revenues). With 97 percent of general revenues resulting from taxes and State resources, it is obvious that other general revenue sources, such as interest and gifts and donations, are not significant and are generally unpredictable revenue sources. In comparing general revenues for fiscal year 2006 and 2005, note that in most instances the amounts are very comparable; however, there was an increase in income tax revenues of over \$1.1 million. While growth in the School District accounts for some of this increase, much of the increase can be attributed to delinquent collections resulting from the State's one-time forgiveness program for delinquent taxpayers. The School District cannot anticipate similar increased collections in the future.

As expected, the School District's major program expense is for instruction, which accounts for 54 percent of all expenses. The instruction category, however, does not include all activities associated with educating students as pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. These programs represent approximately 17 percent total expenses. A comparison to the prior fiscal year demonstrates that most program expenses remained fairly comparable. However, there was a 23 percent increase in instruction costs. Besides negotiated salary increases contributing to this increase, a change in classification of special education assistants also affected this increase.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction:				
Regular	\$10,640,482	\$8,761,417	\$10,268,824	\$8,544,429
Special	2,310,234	1,868,137	1,293,313	1,695,894
Vocational	361,900	267,551	340,828	267,551

(continued)

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Support Services:				
Pupils	\$1,217,465	\$1,174,961	\$1,189,278	\$877,469
Instructional Staff	1,112,190	1,578,318	1,112,190	1,467,188
Board of Education	159,106	0	159,106	0
Administration	1,644,074	1,978,286	1,644,074	1,978,286
Fiscal	708,063	548,260	708,063	540,200
Business	229,590	141,433	229,590	141,433
Operation and Maintenance of Plant	1,859,258	1,526,385	1,859,258	1,521,546
Pupil Transportation	1,809,895	1,650,474	1,788,236	1,608,004
Central	41,406	0	41,406	0
Non-Instructional Services	810,128	446,642	14,023	(247,170)
Extracurricular Activities	658,180	386,678	434,711	133,468
Interest and Fiscal Charges	1,005,545	2,718,329	1,005,545	2,718,329
Total Expenses	<u>\$24,567,516</u>	<u>\$23,046,871</u>	<u>\$22,088,445</u>	<u>\$21,246,627</u>

As program revenues were greater in fiscal year 2006, there was slightly less dependence on general revenues, although general revenues continue to provide for 91 percent of all program costs. Only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. One of these programs is special instruction which provides for 44 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Over 98 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Approximately 34 percent of extracurricular activities expenses are covered by program revenues. This is the result of music and athletic fees, ticket sales, and gate receipts.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates an increase in fund balance for the General Fund and Bond Retirement debt service fund and a decrease in fund balance for the Building capital projects fund. The increase in fund balance in the General Fund was over 70 percent. There was an increase in almost all revenue sources from the prior fiscal year, the most significant of which was in property taxes and income taxes. This was due to growth within the School District and the State's one-time delinquent income tax payment program.

The increase in fund balance in the Bond Retirement debt service fund was not significant. Property tax revenue collections are currently in excess of amounts needed to make principal and interest payments on debt.

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The fund balance in the Building capital projects fund decreased 33 percent as resources were spent on construction.

General Fund Budgeting Highlights

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

During fiscal year 2006, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, there were modest changes from the original budget to the final budget. At fiscal year end, the School District amended the appropriations to match actual amounts with the exception of regular instruction.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$18,557,654 invested in capital assets (net of accumulated depreciation), an increase of \$3,498,104, or 23 percent. Most of the additions to capital assets were related to the School District's construction activities. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2006, included consisted of general obligation bonds, in the amount of \$22,412,906. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 to the basic financial statements.

Current Issues

As stated previously, the School District has many construction projects that include a new addition to the high school, a renovated middle school, and renovations to all three elementary schools. These projects were funded by a \$13 million bond issue approved by voters in November 2004.

The Board of Education will enter into contract negotiations around March of 2008 with the Big Walnut Education Association, the Big Walnut Professional Support Staff, and OAPSE Local 524. The Board of Education hopes to come to an agreement with the unions before the end of the 2008 fiscal year.

The School District will be engaged in a search for a new high school principal. The current principal, Mr. Chuck Workman, will be retiring from the School District on July 31, 2007, after 28 years of service. The School District is planning to name the next principal at the April/May Board Meeting. We are hoping to have the new individual on staff in June 2007 for a transitional period with the retiring principal.

Big Walnut Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to James Szabo, Treasurer, Big Walnut Local School District, 70 North Walnut Street, Galena, Ohio 43201.

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Big Walnut Local School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$10,136,092
Cash and Cash Equivalents with Fiscal Agent	9,922
Accounts Receivable	2,207
Accrued Interest Receivable	9,592
Intergovernmental Receivable	117,901
Income Taxes Receivable	1,893,267
Inventory Held for Resale	14,685
Materials and Supplies Inventory	2,725
Property Taxes Receivable	13,300,560
Unamortized Issuance Costs	285,288
Nondepreciable Capital Assets	3,135,925
Depreciable Capital Assets, Net	15,421,729
Total Assets	44,329,893
 <u>Liabilities:</u>	
Accounts Payable	69,251
Contracts Payable	36,694
Accrued Wages and Benefits Payable	1,873,909
Matured Compensated Absences Payable	21,710
Intergovernmental Payable	653,460
Retainage Payable	131,430
Matured Bonds Payable	9,922
Accrued Interest Payable	118,576
Deferred Revenue	9,102,245
Long-Term Liabilities:	
Due Within One Year	1,752,389
Due in More Than One Year	21,924,957
Total Liabilities	35,694,543
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,554,471
Restricted For:	
Debt Service	742,893
Set Asides	69,164
Food Service	128,388
Other Purposes	105,462
Unrestricted	34,972
Total Net Assets	\$8,635,350

See Accompanying Notes to Basic Financial Statements

Big Walnut Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,640,482	\$245,254	\$126,404	\$0
Special	2,310,234	0	1,016,921	0
Vocational	361,900	0	21,072	0
Support Services:				
Pupils	1,217,465	0	28,187	0
Instructional Staff	1,112,190	0	0	0
Board of Education	159,106	0	0	0
Administration	1,644,074	0	0	0
Fiscal	708,063	0	0	0
Business	229,590	0	0	0
Operation and Maintenance of Plant	1,859,258	0	0	0
Pupil Transportation	1,809,895	0	0	21,659
Central	41,406	0	0	0
Non-Instructional Services	810,128	617,845	178,260	0
Extracurricular Activities	658,180	220,414	3,055	0
Interest and Fiscal Charges	1,005,545	0	0	0
Total Governmental Activities	<u>\$24,567,516</u>	<u>\$1,083,513</u>	<u>\$1,373,899</u>	<u>\$21,659</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service Purposes
Income Taxes Levied for General Purposes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$10,268,824)
(1,293,313)
(340,828)

(1,189,278)
(1,112,190)
(159,106)
(1,644,074)
(708,063)
(229,590)
(1,859,258)
(1,788,236)
(41,406)
(14,023)
(434,711)
(1,005,545)

(22,088,445)

11,310,488
2,258,006
4,545,105
18,000
6,191,456
664,609
8,653
105,791

25,102,108

3,013,663

5,621,687

\$8,635,350

Big Walnut Local School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$963,923	\$631,928	\$8,145,159	\$325,918	\$10,066,928
Cash and Cash Equivalents with Fiscal Agent	0	9,922	0	0	9,922
Accounts Receivable	1,741	0	0	466	2,207
Accrued Interest Receivable	9,592	0	0	0	9,592
Interfund Receivable	97,924	0	0	0	97,924
Intergovernmental Receivable	66,331	0	0	51,570	117,901
Income Taxes Receivable	1,893,267	0	0	0	1,893,267
Inventory Held for Resale	0	0	0	14,685	14,685
Materials and Supplies Inventory	0	0	0	2,725	2,725
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	69,164	0	0	0	69,164
Property Taxes Receivable	11,173,854	2,126,706	0	0	13,300,560
Total Assets	\$14,275,796	\$2,768,556	\$8,145,159	\$395,364	\$25,584,875
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	\$63,833	\$0	\$4,806	\$612	\$69,251
Contracts Payable	0	0	36,694	0	36,694
Accrued Wages and Benefits Payable	1,782,496	0	0	91,413	1,873,909
Matured Compensated Absences Payable	21,710	0	0	0	21,710
Interfund Payable	0	57,878	0	40,046	97,924
Intergovernmental Payable	596,168	0	0	57,292	653,460
Retainage Payable	0	0	131,430	0	131,430
Matured Bonds Payable	0	9,922	0	0	9,922
Deferred Revenue	8,076,599	1,502,068	0	25,192	9,603,859
Total Liabilities	10,540,806	1,569,868	172,930	214,555	12,498,159
Fund Balances:					
Reserved for Property Taxes	3,356,889	624,638	0	0	3,981,527
Reserved for Capital Improvements	69,164	0	0	0	69,164
Reserved for Encumbrances	119,364	0	5,498,124	22,545	5,640,033
Unreserved, Reported in:					
General Fund	189,573	0	0	0	189,573
Special Revenue Funds	0	0	0	155,890	155,890
Debt Service Fund	0	574,050	0	0	574,050
Capital Projects Funds	0	0	2,474,105	2,374	2,476,479
Total Fund Balances	3,734,990	1,198,688	7,972,229	180,809	13,086,716
Total Liabilities and Fund Balances	\$14,275,796	\$2,768,556	\$8,145,159	\$395,364	\$25,584,875

See Accompanying Notes to the Basic Financial Statements

Big Walnut Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balances \$13,086,716

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 18,557,654

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

Accounts Receivable	66,239	
Intergovernmental Receivable	24,924	
Income Taxes Receivable	193,663	
Property Taxes Receivable	216,788	
		501,614

Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 285,288

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(118,576)	
General Obligation Bonds Payable	(22,412,906)	
Compensated Absences Payable	(1,264,440)	
		(23,795,922)

Net Assets of Governmental Activities \$8,635,350

See Accompanying Notes to the Basic Financial Statements

Big Walnut Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$11,416,213	\$2,287,856	\$0	\$0	\$13,704,069
Income Taxes	4,351,442	0	0	0	4,351,442
Payment in Lieu of Taxes	18,000	0	0	0	18,000
Intergovernmental	6,238,203	277,920	0	1,042,912	7,559,035
Interest	302,437	0	362,172	0	664,609
Tuition and Fees	179,283	0	0	0	179,283
Extracurricular Activities	31,904	0	0	189,590	221,494
Charges for Services	0	0	0	616,695	616,695
Gifts and Donations	2,781	0	0	8,729	11,510
Miscellaneous	81,785	0	0	24,006	105,791
Total Revenues	<u>22,622,048</u>	<u>2,565,776</u>	<u>362,172</u>	<u>1,881,932</u>	<u>27,431,928</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	10,104,064	0	0	88,453	10,192,517
Special	1,937,973	0	0	399,504	2,337,477
Vocational	380,121	0	0	0	380,121
Support Services:					
Pupils	890,908	0	0	346,029	1,236,937
Instructional Staff	787,376	0	0	75,239	862,615
Board of Education	159,106	0	0	0	159,106
Administration	1,698,249	0	0	35,073	1,733,322
Fiscal	655,490	35,384	0	12,177	703,051
Business	236,558	0	0	0	236,558
Operation and Maintenance of Plant	1,846,738	0	0	0	1,846,738
Pupil Transportation	1,862,780	0	0	0	1,862,780
Central	54,017	0	493,147	0	547,164
Non-Instructional Services	0	0	0	831,495	831,495
Extracurricular Activities	428,358	0	0	199,738	628,096
Capital Outlay	27,139	0	3,866,980	0	3,894,119
Debt Service:					
Principal Retirement	0	967,234	0	0	967,234
Interest and Fiscal Charges	0	1,468,061	0	0	1,468,061
Total Expenditures	<u>21,068,877</u>	<u>2,470,679</u>	<u>4,360,127</u>	<u>1,987,708</u>	<u>29,887,391</u>
Excess of Revenues Over (Under) Expenditures	<u>1,553,171</u>	<u>95,097</u>	<u>(3,997,955)</u>	<u>(105,776)</u>	<u>(2,455,463)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	0	0	0	8,790	8,790
Transfers Out	(8,790)	0	0	0	(8,790)
Total Other Financing Sources (Uses)	<u>(8,790)</u>	<u>0</u>	<u>0</u>	<u>8,790</u>	<u>0</u>
Changes in Fund Balances	1,544,381	95,097	(3,997,955)	(96,986)	(2,455,463)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,190,609</u>	<u>1,103,591</u>	<u>11,970,184</u>	<u>277,795</u>	<u>15,542,179</u>
Fund Balances at End of Year	<u>\$3,734,990</u>	<u>\$1,198,688</u>	<u>\$7,972,229</u>	<u>\$180,809</u>	<u>\$13,086,716</u>

See Accompanying Notes to the Basic Financial Statements

Big Walnut Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Changes in Fund Balances - Total Governmental Funds (\$2,455,463)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	2,567,899	
Capital Outlay - Depreciable Capital Assets	1,285,487	
Depreciation	<u>(351,796)</u>	3,501,590

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities (3,486)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(135,575)	
Income Taxes	193,663	
Intergovernmental	24,924	
Tuition and Fees	65,971	
Extracurricular Activities	<u>268</u>	149,251

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 967,234

Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	(27,858)	
Annual Accretion	(203,948)	
Payment on Accretion of Capital Appreciation Bonds	692,766	
Amortization of Premium	<u>8,293</u>	469,253

Issuance costs are reported as an expenditure when paid in the governmental funds, but are amortized over the life of the debt on the statement of activities. (6,737)

Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. 392,021

Change in Net Assets of Governmental Activities \$3,013,663

See Accompanying Notes to the Basic Financial Statements

Big Walnut Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$9,373,406	\$10,351,168	\$10,351,168	\$0
Income Taxes	4,364,727	4,014,745	4,083,626	68,881
Payment in Lieu of Taxes	18,000	18,000	18,000	0
Intergovernmental	6,771,523	6,160,051	6,238,203	78,152
Interest	233,851	213,827	217,054	3,227
Tuition and Fees	203,878	206,855	209,956	3,101
Extracurricular Activities	33,384	31,543	31,904	361
Gifts and Donations	0	2,468	2,781	313
Miscellaneous	85,727	76,595	78,375	1,780
Total Revenues	<u>21,084,496</u>	<u>21,075,252</u>	<u>21,231,067</u>	<u>155,815</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,412,610	9,952,283	9,957,342	(5,059)
Special	1,777,904	1,991,113	1,991,113	0
Vocational	351,193	372,512	372,512	0
Support Services:				
Pupils	830,959	906,836	906,836	0
Instructional Staff	752,383	771,354	771,354	0
Board of Education	133,969	165,608	165,608	0
Administration	1,655,660	1,651,792	1,651,792	0
Fiscal	498,974	587,352	587,352	0
Business	146,375	257,698	257,698	0
Operation and Maintenance of Plant	1,639,985	1,842,179	1,842,179	0
Pupil Transportation	1,437,696	1,789,446	1,789,446	0
Central	0	54,017	54,017	0
Extracurricular Activities	407,386	426,145	426,145	0
Capital Outlay	97,065	27,599	27,599	0
Total Expenditures	<u>19,142,159</u>	<u>20,795,934</u>	<u>20,800,993</u>	<u>(5,059)</u>
Excess of Revenues Over Expenditures	<u>1,942,337</u>	<u>279,318</u>	<u>430,074</u>	<u>150,756</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	3,576	3,322	3,380	58
Advances In	65,575	59,436	60,466	1,030
Advances Out	(63,731)	(36,951)	(36,951)	0
Transfers Out	(5,884)	(5,884)	(5,884)	0
Total Other Financing Sources (Uses)	<u>(464)</u>	<u>19,923</u>	<u>21,011</u>	<u>1,088</u>
Changes in Fund Balance	1,941,873	299,241	451,085	151,844
Fund Balance at Beginning of Year	330,833	330,833	330,833	0
Prior Year Encumbrances Appropriated	27,952	27,952	27,952	0
Fund Balance at End of Year	<u>\$2,300,658</u>	<u>\$658,026</u>	<u>\$809,870</u>	<u>\$151,844</u>

See Accompanying Notes to the Basic Financial Statements

Big Walnut Local School District
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006

Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$159,018</u>
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Liabilities:

Undistributed Assets	\$11,644
Due to Students	<u>147,374</u>
Total Liabilities	<u>\$159,018</u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Big Walnut Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1951. The School District serves an area of approximately one hundred ten square miles and is located in Delaware County. The School District is the 180th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-eight classified employees, one hundred seventy-nine certified teaching personnel, and sixteen administrative employees who provide services to 2,732 students and other community members. The School District currently operates three elementary schools, a middle school, and a high school.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Big Walnut Local School District.

The School District participates in six jointly governed organizations and an insurance pool, and is associated with a related organization. These organizations are the Tri-Rivers Educational Computer Association, Delaware Area Career Center, Central Ohio Special Education Regional Resource Center, Central Ohio Regional Professional Development Center, Village of Sunbury Community Park Joint Recreation Board, Metropolitan Educational Council, Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan, and the Sunbury Community Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Big Walnut Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School District's basic financial statements consist 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

Building Fund - The Building Fund is used to account for improvements to the three elementary schools, the middle school, and a portion of the high school addition.

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

Fiduciary Funds

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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2006. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-related and student-managed activities and payroll withholdings and deductions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the full accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 budgetary control is at the fund, function, object level for all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The Board adopts their final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, minimal variances are reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget (Non-GAAP Basis) and Actual.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents held for the School District by The Delaware County Bank and Trust, who services the School District’s bond/coupon account, are included on the financial statements as “Cash and Cash Equivalents with Fiscal Agent”.

During fiscal year 2006, the School District invested in federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2006.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2006 was \$302,437, which includes \$163,097 assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for the acquisition and construction of capital improvements.

I. Unamortized Issuance Cost/Premium

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	15 - 40 years
Buildings and Building Improvements	20 - 100 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 12 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

N. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, there were no net assets restricted by enabling legislation.

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, capital improvements, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund 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 responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". This statement establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

B. Correction of Errors

In the prior fiscal year, the School District reported several funds incorrectly and made errors in reporting capital assets and general obligation bonds and changed its capital asset threshold from \$1,000 to \$10,000.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Balance/Net Assets (continued)

C. Restatement of Fund Balance/Net Assets

The restatement due to the above corrections had the following effect on fund balances of the major and nonmajor funds of the School District as they were previously reported.

	General	Debt Service	Building	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2005	\$2,178,097	\$1,103,591	\$11,970,184	\$291,312	\$15,543,184
Change in Fund Structure	12,512	0	0	(13,517)	(1,005)
Adjusted Fund Balance at June 30, 2005	<u>\$2,190,609</u>	<u>\$1,103,591</u>	<u>\$11,970,184</u>	<u>\$277,795</u>	<u>\$15,542,179</u>

The restatement had the following effect on net assets.

	Total Governmental Activities
Net Assets at June 30, 2005	\$4,567,566
Change in Fund Structure	(1,005)
Capital Assets	(3,633,481)
Accumulated Depreciation	7,985,145
Capital Appreciation Bonds	(3,209,848)
Unamortized Deferred Amount on Refunding	(70,480)
Bond Premium	(40,673)
Issuance Costs	24,463
Adjusted Net Assets at June 30, 2005	<u>\$5,621,687</u>

Note 4 - Accountability

At June 30, 2006, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds	
EMIS	\$550
Title VI-B	47,479
Title I	14,075
Early Childhood Special Education	5,917
Title II-A	7,984

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$1,544,381
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	3,756,382
Accrued FY 2006, Not Yet Received in Cash	(5,068,186)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(2,085,771)
Accrued FY 2006, Not Yet Paid in Cash	2,464,207
Cash Adjustments:	
Unrecorded Cash Activity FY 2006	(94,166)
Unrecorded Cash Activity FY 2005	18,369
Prepaid Items	18,499
Advances In	60,466
Advances Out	(36,951)
Transfers Out	2,906
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(129,051)
Budget Basis	\$451,085

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 the Board of Education has identified as not required for use within the current five 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Deposits and Investments (continued)

9. Under limited circumstances, corporate debt interests rated in either of the two highest rated 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 School 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,077,114 of the School District's bank balance of \$6,191,622 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2006, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$996,610	7/24/06
Federal Home Loan Mortgage Corporation Notes	988,890	9/18/06
Federal Home Loan Mortgage Corporation Notes	1,967,400	10/23/06
Federal National Mortgage Association Notes	992,180	8/23/06
Money Market Mutual Fund	907,675	average 7 days
STAR Ohio	5,567	average 34.8 days
	<u>5,858,322</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The School District's policy indicates that it will attempt to minimize the effect of market value fluctuations by (1) maintaining adequate liquidity so that current obligations can be met without a sale of securities; (2) diversification of maturities; and (3) diversification of assets.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Deposits and Investments (continued)

The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and Money Market Mutual Fund carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. The School District's policy indicates that credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings exist prior to the purchase of commercial paper, bankers' acceptances, and corporate medium term notes; and (3) maintaining adequate collateralization of certificates of deposit. Ohio law requires that mutual funds must consist of obligations listed in item (1) or (2) on page 31 and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation Notes	\$3,952,900	67.47%
Federal National Mortgage Association Notes	992,180	16.94

Note 7 - Receivables

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Tuition	\$65,750
State of Ohio	581
Total General Fund	66,331
Other Governmental Funds	
Food Service	26,646
Title I	16,194
Early Childhood Special Education	8,730
Total Other Governmental Funds	51,570
Total Intergovernmental Receivables	\$117,901

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for a five year period. In May 2006, voters approved the tax as a continuing tax. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Delaware County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 9 - Property Taxes (continued)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$3,356,889 in the General Fund and \$624,638 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2005, was \$2,291,844 in the General Fund and \$614,573 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$465,606,120	91.95%	\$567,307,650	94.63%
Public Utility	14,628,330	2.89	14,779,380	2.47
Tangible Personal	26,140,501	5.16	17,403,385	2.90
Total Assessed Value	<u>\$506,374,951</u>	<u>100.00%</u>	<u>\$599,490,415</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.60		\$32.39	

In May 2006, the voters of the School District approved a five-year 1.25 mill emergency operating levy.

Note 10 - Payment in Lieu of Taxes

According to State law, the School District has entered into an agreement with a property owner under which the School District has granted a property tax abatement to the property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owner would have paid if the taxes had not been abated. The payment is received annually as an agreed upon flat amount per year. The agreement is for a ten year period. The property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$568,026	\$0	\$0	\$568,026
Construction in Progress	0	2,567,899	0	2,567,899
Total Nondepreciable Capital Assets	568,026	2,567,899	0	3,135,925
Depreciable Capital Assets				
Land Improvements	298,799	175,745	0	474,544
Buildings and Building Improvements	17,014,793	886,154	0	17,900,947
Furniture, Fixtures, and Equipment	276,124	42,478	(69,454)	249,148
Vehicles	2,023,796	181,110	(199,314)	2,005,592
Total Depreciable Capital Assets	19,613,512	1,285,487	(268,768)	20,630,231
Less Accumulated Depreciation				
Land Improvements	(20,291)	(14,669)	0	(34,960)
Buildings and Building Improvements	(3,816,987)	(180,484)	0	(3,997,471)
Furniture, Fixtures, and Equipment	(201,807)	(12,868)	65,968	(148,707)
Vehicles	(1,082,903)	(143,775)	199,314	(1,027,364)
Total Accumulated Depreciation	(5,121,988)	(351,796)	265,282	(5,208,502)
Depreciable Capital Assets, Net	14,491,524	933,691	(3,486)	15,421,729
Governmental Activities Capital Assets, Net	\$15,059,550	\$3,501,590	(\$3,486)	\$18,557,654

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$111,332
Special	13,306
Vocational	7,221
Support Services:	
Pupils	1,929
Instructional Staff	291
Administration	7,574
Fiscal	89
Operation and Maintenance of Plant	15,563
Pupil Transportation	143,314
Non-Instructional Services	21,093
Extracurricular Activities	30,084
Total Depreciation Expense	<u>\$351,796</u>

Note 12 - Interfund Assets/Liabilities

Interfund balances at June 30, 2006, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Bond Retirement	\$57,878
Other Governmental Funds	
Athletic and Music	19,040
Ohio Reads	327
Title VI-B	957
Safe and Drug Free Schools	9,804
Early Childhood Special Education	367
Improving Teacher Quality	9,551
	<u>\$97,924</u>

The balance due to the General Fund consists of loans made to the Bond Retirement debt service fund for principal and interest payments and to provide cash flow from resources until sufficient revenues were received by the other governmental funds.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted for the following insurance coverage.

Coverage provided by Federal Insurance Company:

Buildings and Contents	\$50,000,000
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Coverage provided by Selective Insurance Company:

Auto Liability	1,000,000
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General Liability

Each Occurrence	1,000,000
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Aggregate	3,000,000
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Coverage provided by American Alternative Insurance Company:

Excess Liability	3,000,000
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Coverage provided by Travelers Insurance Company

Excess Property	250,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

Note 14 - Significant Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2006:

Vendor	Contract Amount	Amount Paid as of 6/30/06	Outstanding Balance
Converse Electric	\$499,300	\$51,073	\$448,227
Gutridge Plumbing, Inc.	68,200	0	68,200
Holdridge Mechanical	133,000	56,093	76,907
Howard's Sheet Metal, Inc.	1,231,800	676,256	555,544
Legacy Commercial Flooring	221,872	43,333	178,539
Robertson Construction Service	3,107,600	639,836	2,467,764
Spectrum Builders, Inc.	725,115	237,692	487,423
Universal Enterprises, Inc.	686,537	84,833	601,704

Note 15 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School 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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP 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, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$1,295,158, \$1,372,259, and \$1,439,744, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$39,175 made by the School District and \$63,003 made by plan members.

Note 15 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$285,544, \$360,870, and \$349,244, respectively; 46 percent has been contributed for the fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16- Postemployment Benefits

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$102,641.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

Note 16- Postemployment Benefits (continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$146,286 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 17 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for teachers, administrators, support staff, and food service employees, and two hundred sixty days for maintenance, custodial, and transportation employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave credit to a maximum of sixty days for teachers, administrators, support staff, and food service employees and sixty-five days for maintenance, custodial, and transportation employees.

B. Health Care Benefits

The School District offers employee medical benefits through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The School District offers life insurance to all employees through Jefferson Pilot Financial. Dental insurance is offered to all employees through Delta Dental.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Refunding School Improvement Bonds FY 1993					
Capital Appreciation Bonds 22.25%	\$83,207	\$0	\$47,234	\$35,973	\$35,973
Accretion on Capital Appreciation Bonds	1,247,034	74,044	692,766	628,312	628,312
Refunding School Improvement Bonds FY 1998					
Term Bonds 5.1%	1,055,000	0	0	1,055,000	0
Serial Bonds 3.85-4.6%	1,595,000	0	510,000	1,085,000	530,000
Capital Appreciation Bonds 19.5-23%	183,809	0	0	183,809	0
Accretion on Capital Appreciation Bonds	1,775,463	98,991	0	1,874,454	0
Refunding School Improvement Bonds FY 2004					
Serial Bonds 2-3.7%	3,895,000	0	75,000	3,820,000	80,000
Capital Appreciation Bonds 10.3%	434,981	0	0	434,981	0
Accretion of Capital Appreciation Bonds	219,109	18,641	0	237,750	0
Premium	179,917	0	3,116	176,801	0
School Facilities Construction and Improvement Bonds FY 2005					
Term Bonds 4.5-5%	9,305,000	0	0	9,305,000	0
Serial Bonds 2.5-3.65%	3,310,000	0	335,000	2,975,000	350,000
Capital Appreciation Bonds 3.19%	384,993	0	0	384,993	0
Accretion on Capital Appreciation Bonds	7,843	12,272	0	20,115	0
Premium	200,895	0	5,177	195,718	0
Total General Long-Term Obligations	23,877,251	203,948	1,668,293	22,412,906	1,624,285
Compensated Absences	1,656,461	0	392,021	1,264,440	128,104
Total Governmental Activities Long-Term Obligations	<u>\$25,533,712</u>	<u>\$203,948</u>	<u>\$2,060,314</u>	<u>\$23,677,346</u>	<u>\$1,752,389</u>

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Long-Term Obligations (continued)

As of June 30, 2006, the School District had unspent bond proceeds, in the amount of \$7,991,285.

FY 1993 Refunding School Improvement Bonds - On April 23, 1993, the School District issued bonds, in the amount of \$11,479,903, to refund bonds previously issued for improving and constructing school buildings and facilities. These bonds were refunded in fiscal year 2004, except for the capital appreciation bonds, in the amount of \$224,903. The capital appreciation bonds will mature in fiscal year 2008. For fiscal year 2006, \$74,044 was accreted and \$740,000 was paid on the capital appreciation bonds for a total value of \$664,285 at fiscal year end. The bonds are being retired through the Bond Retirement debt service fund.

FY 1998 Refunding School Improvement Bonds - On December 4, 1997, the School District issued bonds, in the amount of \$4,993,809, to refund bonds previously issued for improving and constructing school buildings and facilities and constructing a library for the community. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$3,755,000, \$1,055,000, and \$183,809, respectively. The bonds were issued for an eighteen fiscal year period, with final maturity in fiscal year 2016. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2013	\$445,000
2014	465,000

The remaining principal, in the amount of \$145,000, will be paid at stated maturity on December 1, 2015.

The bonds maturing after December 1, 2007, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2007, at a redemption price equal to the following percentages of the principal amount redeemed plus accrued interest to the date fixed for redemption:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2009	101 %
December 1, 2009 and thereafter	100

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2013. The maturity amount of the bonds is \$2,535,000. For fiscal year 2006, \$98,991 was accreted on the capital appreciation bonds for a total value of \$2,058,263 at fiscal year end.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Long-Term Obligations (continued)

FY 2004 Refunding School Improvement Bonds - On November 12, 2003, the School District issued bonds, in the amount of \$4,404,981, to refund bonds previously issued for improving and constructing school buildings and facilities. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$3,970,000 and \$434,981, respectively. The bonds were issued for an eleven fiscal year period, with final maturity in fiscal year 2015. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds are subject to prior redemption on or after December 1, 2013, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2009. The maturity amount of the bonds is \$720,000. For fiscal year 2006, \$18,641 was accreted on the capital appreciation bonds for a total value of \$672,731 at fiscal year end.

FY 2005 School Facilities Construction and Improvement Bonds - On December 29, 2004, the School District issued \$12,999,993 in voted general obligation bonds for constructing a bus maintenance facility, an addition to the high school, and renovating and improving school facilities. The bond issue includes serial, term, and capital appreciation bonds, in the amount of \$3,310,000, \$9,305,000, and \$384,993, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity in fiscal year 2033. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2017	\$395,000
2018	415,000

The remaining principal, in the amount of \$440,000, will be paid at stated maturity on December 1, 2019.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2020	\$460,000
2021	485,000

The remaining principal, in the amount of \$505,000, will be paid at stated maturity on December 1, 2022.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2023	\$530,000
2024	560,000

The remaining principal, in the amount of \$585,000, will be paid at stated maturity on December 1, 2025.

The bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2026	\$615,000
2027	645,000
2028	670,000

The remaining principal, in the amount of \$700,000, will be paid at stated maturity on December 1, 2029.

The bonds maturing on December 1, 2032, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2030	\$735,000
2031	765,000

The remaining principal, in the amount of \$800,000, will be paid at stated maturity on December 1, 2032.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2009. The maturity amount of the bonds is \$450,000. For fiscal year 2006, \$12,272 was accreted on the capital appreciation bonds for a total value of \$405,108 at fiscal year end.

Compensated absences will be paid from the General Fund, Food Service, EMIS, Title VI-B, and Early Childhood Special Education special revenue funds.

The School District's overall debt margin was \$31,777,933 with an unvoted debt margin of \$567,308 at June 30, 2006.

Big Walnut Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2007	\$960,000	\$0	\$35,973	\$1,405,677	\$2,401,650
2008	1,005,000	0	0	706,188	1,711,188
2009	385,000	0	488,842	1,499,304	2,373,146
2010	680,000	0	427,207	1,196,598	2,303,805
2011	695,000	0	32,796	1,106,041	1,833,837
2012-2016	3,770,000	1,055,000	54,938	3,578,015	8,457,953
2017-2021	385,000	1,710,000	0	2,044,526	4,139,526
2022-2026	0	2,665,000	0	1,455,125	4,120,125
2027-2031	0	3,365,000	0	743,963	4,108,963
2032-2033	0	1,565,000	0	71,212	1,636,212
	<u>\$7,880,000</u>	<u>\$10,360,000</u>	<u>\$1,039,756</u>	<u>\$13,806,649</u>	<u>\$33,086,405</u>

Note 19 - Set Asides

The School 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	(\$127,045)	\$0
Current Year Set Aside Requirement	368,570	368,570
Qualifying Expenditures	(242,161)	(299,406)
Balance June 30, 2006	(\$636)	\$69,164
Amount Carried Forward to Fiscal Year 2007	(\$636)	\$69,164

Note 20 - Interfund Transfers

During fiscal year 2006, the General Fund made transfers to other governmental funds, in the amount of \$8,790, to subsidize activities of those funds.

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from the Tri-Rivers Joint Vocational School. During fiscal year 2006, the School District paid \$70,660 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Delaware Area Career Center

The Delaware Area Career Center is a distinct political subdivision of the State of Ohio which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the ten participating school district's Boards of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Delaware Area Career Center, 4565 Columbus Pike Road, Delaware, Ohio 43015.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a one hundred five member board including the superintendent from the eighty-nine participating School Districts, two representatives from a non-public school, six representatives from participating educational service centers, two representatives from the Department of Youth Services, five representatives from special education facilities, and one parent of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Central Ohio Special Education Regional Resource Center, 470 Glenmont Avenue, Columbus, Ohio 43214.

D. Central Ohio Regional Professional Development Center

The Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Delaware, Licking, Franklin, Madison, Pickaway, and Union Counties. The Center was formed to advance the State Board of Education's mission that all students can learn by creating a high performance system of education. The Center's purpose is to provide long-term ongoing meaningful professional development for all educators and school support personnel. The Center is governed by a twenty-two member Board made up of representatives from the participating school districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

Note 21 - Jointly Governed Organizations (continued)

E. Village of Sunbury Community Park Joint Recreation Board

The School District and the Village of Sunbury participate in a Joint Recreation Board created under the provisions of Ohio Revised Code Sections 755.12 to 755.18. The Joint Recreation Board consists of one representative from each of the participants and one member at large. The member at large shall be a resident of the Village and the School District and be appointed by both parties. The Village has agreed to commit approximately twenty-one acres of land and the School District has committed \$1.4 million to the development of the park. Financial information can be obtained from the Village of Sunbury, P.O. Box 508, Sunbury, Ohio, 43074.

F. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred sixty school districts, libraries, and related agencies in thirty-one counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by School Districts. The governing board of the MEC consists of one representative from each member School District. All member School Districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

Note 22 - Insurance Pool

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 23 - Related Organization

The Sunbury Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Big Walnut Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Sunbury Community Library, 44 Burrer Drive, Sunbury, Ohio 43704.

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$9,365 per year. A portion of the refund may be recovered from additional State entitlement payments.

The School District is involved in no material litigation as either plaintiff or defendant.

SUPPLEMENTAL DATA

**BIG WALNUT LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(C) Food Donation	10.550	N/A	\$ -	\$ 30,080	\$ -	\$ 30,080
Total Food Donation			-	30,080	-	30,080
(A) (D) National School Lunch Program	10.555	046748-LLP4-2005	33,752	-	33,752	-
(A) (D) National School Lunch Program	10.555	046748-LLP4-2006	82,790	-	82,790	-
Total National School Lunch Program			116,542	-	116,542	-
(A) (D) Special Milk Program for Children	10.556	046748-02PU-2005	114	-	114	-
(A) (D) Special Milk Program for Children	10.556	046748-02PU-2006	283	-	283	-
Total Special Milk Program for Children			397	-	397	-
Total Nutrition Cluster			116,939	-	116,939	-
Total U.S. Department of Agriculture			116,939	30,080	116,939	30,080
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	046748-C1S1-2005	12,145		18,691	
Title I Grants to Local Educational Agencies	84.010	046748-C1S1-2006	88,331		86,735	
Total Title I Grants to Local Educational Agencies			100,476		105,426	
Special Education Cluster:						
(B) Special Education Grants to States	84.027	046748-6BSF-2005	52,555		14,492	
(B) Special Education Grants to States	84.027	046748-6BSF-2006	592,636		598,891	
Total Special Education Grants to States			645,191		613,383	
(B) Special Education Preschool Grants	84.173	046748-PGS1-2005	3,369		2,185	
(B) Special Education Preschool Grants	84.173	046748-PGS1-2006	7,855		8,222	
Total Special Education Preschool Grants			11,224		10,407	
Total Special Education Cluster			656,415		623,790	
Safe and Drug-Free Schools and Communities State Grants	84.186	046748-DRS1-2005	1,714		1,553	
Safe and Drug-Free Schools and Communities State Grants	84.186	046748-DRS1-2006	7,590		7,082	
Total Safe and Drug-Free Schools and Communities State Grants			9,304		8,635	
State Grants for Innovative Programs	84.298	046748-C2S1-2005	2,479		2,078	
State Grants for Innovative Programs	84.298	046748-C2S1-2006	8,370		8,056	
Total State Grants for Innovative Programs			10,849		10,134	
Education Technology State Grants	84.318	046748-TJS1-2006	1,698		1,597	
Total Education Technology State Grants			1,698		1,597	
Advanced Placement Program	84.330	AVTF-2004	104		-	
Total Advanced Placement Program			104		-	
Improving Teacher Quality State Grants	84.367	046748-TRS1-2005	9,713		3,220	
Improving Teacher Quality State Grants	84.367	046748-TRS1-2006	81,471		89,274	
Total Improving Teacher Quality State Grants			91,184		92,494	
Total U.S. Department of Education			870,030		842,076	
Total Federal Financial Assistance			\$ 986,969	\$ 30,080	\$ 959,015	\$ 30,080

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



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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Walnut Local School District, Delaware County, (the "School District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2007. As disclosed in Note 3, to the financial statements, the District restated its beginning fund balances and net assets due to errors and omissions reported in prior years. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to management of Big Walnut Local School District in a separate letter dated March 8, 2007.

Board of Education
Big Walnut Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted matters that we have reported to the management of the School District in a separate letter dated March 8, 2007.

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

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

Julian & Grube, Inc.
March 8, 2007



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

Compliance

We have audited the compliance of the Big Walnut Local School District, Delaware County, (the “School District”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal program for the fiscal year ended June 30, 2006. The School District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School District’s management. Our responsibility is to express an opinion on the School District’s compliance both on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District’s compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Board of Education
Big Walnut Local School District

Internal Control Over Compliance

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

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

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



Julian & Grube, Inc.
March 8, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2007