



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants.....	1
Combined Balance Sheet – All Fund Types and Account Groups June 30, 2002.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Fiduciary Fund – For the Year Ended June 30, 2002.....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types and Similar Fiduciary Fund – For the Year Ended June 30, 2002.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity – Proprietary Fund Type For the Year Ended June 30, 2002.....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type – For the Year Ended June 30, 2002.....	11
Combined Statement of Cash Flows – Proprietary Fund Type For the Year Ended June 30, 2002.....	12
Notes to the General-Purpose Financial Statements.....	13
Schedule of Federal Awards Expenditures.....	38
Notes to the Schedule of Federal Awards Expenditures.....	39
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	41
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133.....	43
Schedule of Findings.....	45

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Triad Local School District  
Champaign County  
7920 Brush Lake Road  
North Lewisburg, Ohio 43060

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Triad Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 12, 2002

**This page intentionally left blank.**

TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
June 30,2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$865,511	\$202,796	\$83,323	\$4,290,999
Receivables:				
Property Taxes	1,528,104	31,590	262,704	
Income Taxes	283,697			
Accounts	8,685	7,221		
Intergovernmental - State	13,569			293,170
Intergovernmental - Federal		6,028		
Interfund	519			
Accrued Interest	1,780			11,571
Materials and Supplies Inventory				
Prepaid Items	37,045	5		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,472			
Cash and Cash Equivalents with Escrow Agent				548,322
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<u>2,781,382</u>	<u>247,640</u>	<u>346,027</u>	<u>5,144,062</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	22,416	2,307		32,618
Contracts Payable				765,869
Accrued Wages and Benefits	504,403	229		
Intergovernmental Payable	175,950	885		
Interfund Payable				
Due to Students				
Deferred Revenue	1,407,552	31,590	241,245	293,170
Compensated Absences Payable				
Payable from Restricted Assets:				
Retainage Payable				548,322
Capital Leases Payable				
Loans Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>2,110,321</u>	<u>35,011</u>	<u>241,245</u>	<u>1,639,979</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Property Taxes	118,545		21,236	
Reserved BWC Refunds	42,472			
Reserved for Encumbrances	39,618	25,800		3,752,713
Reserved for Prepaid Items	37,045	5		
Reserved for Debt Service Principal			83,546	
Designated for S.B. 345 Uses	86,134			
Unreserved:				
Unreserved, Undesignated	347,247	186,824		(248,630)
<b>Total Fund Equity and Other Credits</b>	<u>671,061</u>	<u>212,629</u>	<u>104,782</u>	<u>3,504,083</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u>\$2,781,382</u>	<u>\$247,640</u>	<u>\$346,027</u>	<u>\$5,144,062</u>

The notes to the general purpose financial statements are an integral part of this statement.



Fund Types	Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$75,846	\$44,121			\$5,562,596
				1,822,398
				283,697
				15,906
				306,739
				6,028
				519
9	15			13,375
3,924				3,924
1,945				38,995
				42,472
				548,322
321,539		20,424,341		20,745,880
			104,782	104,782
			5,791,575	5,791,575
<u>403,263</u>	<u>44,136</u>	<u>20,424,341</u>	<u>5,896,357</u>	<u>35,287,208</u>
				57,341
				765,869
16,028				520,660
14,319				191,154
	519			519
	38,812			38,812
				1,973,557
15,014			391,157	406,171
				548,322
			2,350,410	2,350,410
			77,455	77,455
			3,077,335	3,077,335
<u>45,361</u>	<u>39,331</u>		<u>5,896,357</u>	<u>10,007,605</u>
		20,424,341		20,424,341
25,070				25,070
332,832				332,832
				139,781
				42,472
				3,818,131
				37,050
				83,546
				86,134
	4,805			290,246
<u>357,902</u>	<u>4,805</u>	<u>20,424,341</u>		<u>25,279,603</u>
<u>\$403,263</u>	<u>\$44,136</u>	<u>\$20,424,341</u>	<u>\$5,896,357</u>	<u>\$35,287,208</u>

TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum) Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>						
Property & Other Local Taxes	\$1,346,929	\$29,661	\$229,755			\$1,606,345
Income Tax	880,552					880,552
Tuition and Fees	7,184					7,184
Interest	46,564			113,830	124	160,518
Sales	14,265	157,125				171,390
Other Local Revenue	42,914	13,268		20,000	100	76,282
Intergovernmental - State	4,564,246	65,264	25,700	7,028,846		11,684,056
Intergovernmental - Federal		407,738				407,738
Miscellaneous	5,636	87				5,723
<b>Total Revenues</b>	<u>6,908,290</u>	<u>673,143</u>	<u>255,455</u>	<u>7,162,676</u>	<u>224</u>	<u>14,999,788</u>
<b>Expenditures:</b>						
Current:						
Instruction						
Regular	2,934,710	76,259		11,009	1,750	3,023,728
Special	565,134	157,819				722,953
Vocational	145,973					145,973
Support services:						
Pupils	437,751	35,409				473,160
Instructional Staff	261,430	12,420				273,850
Board of Education	17,367					17,367
Administration	625,669	63,439		9,558		698,666
Fiscal	269,248	816	6,357			276,421
Business						
Operation and Maintenance of Plant	593,104	1,320		16,516		610,940
Pupil Transportation	413,584	4,948				418,532
Central	152,070	12,593		2,919		167,582
Non-Instructional Services	70	2,338		507,248		509,656
Extracurricular activities	176,325	106,787				283,112
Capital Outlay	107,237	170,670		14,316,198		14,594,105
Debt Service						
Principal Retirement	23,736		233,396			257,132
Interest Charges	1,523		213,235			214,758
<b>Total Expenditures</b>	<u>6,724,931</u>	<u>644,818</u>	<u>452,988</u>	<u>14,863,448</u>	<u>1,750</u>	<u>22,687,935</u>
Excess of Revenues Over (Under) Expenditures	<u>183,359</u>	<u>28,325</u>	<u>(197,533)</u>	<u>(7,700,772)</u>	<u>(1,526)</u>	<u>(7,688,147)</u>
<b>Other Financing Sources and Uses</b>						
Proceeds from Sale of Fixed Assets	37,071					37,071
Proceeds from Loan (See Note 11)				2,300,000		2,300,000
Operating Transfers In	934	170	205,350	53,000		259,454
Operating Transfers Out	(258,350)	(1,104)				(259,454)
<b>Total Other Financing Sources (Uses)</b>	<u>(220,345)</u>	<u>(934)</u>	<u>205,350</u>	<u>2,353,000</u>		<u>2,337,071</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(36,986)	27,391	7,817	(5,347,772)	(1,526)	(5,351,076)
Fund Balance at Beginning of Year	698,808	185,238	96,965	8,851,855	6,331	9,839,197
Increase in Reserve for Prepaid Items	9,239					9,239
<b>Fund Balance at End of Year</b>	<u>\$671,061</u>	<u>\$212,629</u>	<u>\$104,782</u>	<u>\$3,504,083</u>	<u>\$4,805</u>	<u>\$4,497,360</u>

The notes to the general purpose financial statements are an integral part of this statement.

**This page intentionally left blank.**

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types					
	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,391,600	\$1,387,701	(\$3,899)	\$32,000	\$30,150	(\$1,850)
Income Tax	898,861	898,859	(2)			
Tuition and Fees	7,300	7,184	(116)			
Interest	48,900	51,119	2,219			
Sales	15,500	14,265	(1,235)	166,500	156,652	(9,848)
Other Local Revenues	44,750	42,800	(1,950)	15,400	13,268	(2,132)
Intergovernmental - State	4,565,900	4,554,766	(11,134)	78,539	65,264	(13,275)
Intergovernmental - Federal				407,858	402,147	(5,711)
<b>Total Revenues</b>	<b>6,972,811</b>	<b>6,956,694</b>	<b>(16,117)</b>	<b>700,297</b>	<b>667,481</b>	<b>(32,816)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,117,516	2,918,422	199,094	117,534	81,929	35,605
Special	580,970	566,383	14,587	159,739	157,733	2,006
Vocational	169,250	146,134	23,116			
Support services:						
Pupils	466,200	432,322	33,878	32,695	37,012	(4,317)
Instructional Staff	291,400	266,783	24,617	25,684	12,561	13,123
Board of Education	32,650	17,373	15,277			
Administration	737,167	669,104	68,063	63,783	63,732	51
Fiscal	282,107	270,115	11,992	1,050	816	234
Operation and Maintenance of Plant	570,128	596,140	(26,012)	1,320	1,200	120
Pupil Transportation	452,515	430,274	22,241	10,287	4,933	5,354
Central	170,400	150,370	20,030	21,230	12,633	8,597
Non-Instructional Services	72	70	2	2,338	2,338	
Extracurricular activities	198,000	174,474	23,526	116,431	111,960	4,471
Capital Outlay	189,950	127,747	62,203	192,469	186,702	5,767
Debt Service						
Principal Retirement						
Interest Charges						
<b>Total Expenditures</b>	<b>7,258,325</b>	<b>6,765,711</b>	<b>492,614</b>	<b>744,560</b>	<b>673,549</b>	<b>71,011</b>
Excess of Revenues Over (Under) Expenditures	<u>(285,514)</u>	<u>190,983</u>	<u>476,497</u>	<u>(44,263)</u>	<u>(6,068)</u>	<u>38,195</u>
<b>Other Financing Sources and Uses</b>						
Proceeds from Sale of Fixed Assets	29,000	28,500	(500)			
Proceeds from Loan (See Note 11)						
Refund of Prior Year Expenditures	5,700	5,636	(64)	150	87	(63)
Operating Transfers In	1,000	934	(66)			
Advances In	21,200	21,093	(107)			
Advances Out		(419)	(419)	(934)	(1,104)	170
Transfers In				170	170	
Transfers Out	(260,000)	(258,350)	1,650			
<b>Total Other Financing Sources (Uses)</b>	<b>(203,100)</b>	<b>(202,606)</b>	<b>494</b>	<b>(614)</b>	<b>(847)</b>	<b>107</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(488,614)	(11,623)	476,991	(44,877)	(6,915)	38,302
Fund Balance at Beginning of Year	866,412	866,412		177,943	177,943	
Prior Year Encumbrances Appropriated	13,576	13,576		5,968	5,968	
<b>Fund Balance at end of Year</b>	<b>\$391,374</b>	<b>\$868,365</b>	<b>\$476,991</b>	<b>\$139,034</b>	<b>\$176,996</b>	<b>\$38,302</b>

The notes to the general purpose financial statements are an integral part of this statement.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service			Capital Projects			Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$237,400	\$236,592	(\$808)						
			160,200	156,618	(3,582)	280	151	(129)
			20,000	20,000				
27,000	25,700	(1,300)	7,034,246	7,028,846	(5,400)	220	100	(120)
<u>264,400</u>	<u>262,292</u>	<u>(2,108)</u>	<u>7,214,446</u>	<u>7,205,464</u>	<u>(8,982)</u>	<u>500</u>	<u>251</u>	<u>(249)</u>
			11,009	11,009		1,750	1,750	
			8,937	9,330	(393)			
6,700	6,357	343	18,250	16,516	1,734			
			7,667	2,919	4,748			
			1,260,107	603,682	656,425			
			17,625,698	17,824,900	(199,202)			
233,500	233,397	103						
228,050	213,235	14,815						
<u>468,250</u>	<u>452,989</u>	<u>15,261</u>	<u>18,931,668</u>	<u>18,468,356</u>	<u>463,312</u>	<u>1,750</u>	<u>1,750</u>	
<u>(203,850)</u>	<u>(190,697)</u>	<u>13,153</u>	<u>(11,717,222)</u>	<u>(11,262,892)</u>	<u>454,330</u>	<u>(1,250)</u>	<u>(1,499)</u>	<u>(249)</u>
			2,300,055	2,300,000	(55)			
			(20,000)	(20,000)				
223,000	205,350	(17,650)	57,050	53,000	(4,050)			
<u>223,000</u>	<u>205,350</u>	<u>(17,650)</u>	<u>2,337,105</u>	<u>2,333,000</u>	<u>(4,105)</u>			
19,150	14,653	(4,497)	(9,380,117)	(8,929,892)	450,225	(1,250)	(1,499)	(249)
68,670	68,670		8,212,990	8,212,990		6,304	6,304	
			1,255,188	1,255,188				
<u>\$87,820</u>	<u>\$83,323</u>	<u>(\$4,497)</u>	<u>\$88,061</u>	<u>\$538,286</u>	<u>\$450,225</u>	<u>\$5,054</u>	<u>\$4,805</u>	<u>(\$249)</u>

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$223,656
<b>Operating Expenses</b>	
Salaries	119,280
Fringe Benefits	31,747
Purchased Services	8,922
Materials and Supplies	131,468
Depreciation	3,658
Total Operating Expenses	295,075
Operating Loss	(71,419)
<b>Non-Operating Revenues</b>	
Interest	407
Federal and State Subsidies	73,107
Capital Contributions	288,943
Total Non-Operating Revenues	362,457
Net Income	291,038
Retained Earnings at Beginning of Year	41,794
Retained Earnings at End of Year	332,832
Contributed Capital at Beginning/End of Year	25,070
Total Fund Equity at End of Year	\$357,902

*The notes to the general purpose financial statements are an integral part of this statement.*

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>		<b>Variance: Favorable (Unfavorable)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Operating Revenues:</b>			
Sales	\$224,600	\$223,664	(\$936)
State Subsidy	1,660	1,412	(248)
Federal Subsidy	47,000	46,599	(401)
Total Operating Revenues	<u>273,260</u>	<u>271,675</u>	<u>(1,585)</u>
<b>Operating Expenses</b>			
Salaries	121,800	116,915	4,885
Fringe Benefits	44,250	43,138	1,112
Purchased Services	9,950	8,922	1,028
Materials and Supplies	106,000	108,651	(2,651)
Capital Outlay	1,000	2,528	(1,528)
Total Operating Expenses	<u>283,000</u>	<u>280,154</u>	<u>2,846</u>
Operating (Loss)	(9,740)	(8,479)	1,261
<b>Non-Operating Revenues</b>			
Interest	700	437	(263)
Net (Loss)	(9,040)	(8,042)	998
Fund Balances at Beginning of Year	<u>83,888</u>	<u>83,888</u>	
Fund Balances at End of Year	<u>\$74,848</u>	<u>\$75,846</u>	<u>\$998</u>

*The notes to the general purpose financial statements are an integral part of this statement.*

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Enterprise</b>
<b>Increase(Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sales	\$223,664
Cash Payments to Suppliers for Goods and Service	(109,359)
Cash Payments for Contract Services	(8,922)
Cash Payments for Employee Services	(116,915)
Cash Payments for Employee Benefits	(43,138)
Net Cash Provided (Used) by Operating Activities	(54,670)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash from Federal & State Subsidies	48,011
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(1,820)
<b>Cash Flows from Investing Activities:</b>	
Interest Received	437
Net Increase (Decrease) in Cash and Cash Equivalents	(8,042)
Cash and Cash Equivalents at Beginning of Year	83,888
<b>Cash and Cash Equivalents at End of Year</b>	<b>75,846</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	(71,419)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>	
Depreciation	3,658
Donated Commodities Used During the Year	21,929
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	8
Decrease in Interest Receivables	30
Increase in Supplies Inventory	(2,127)
Increase in Prepaid Items	(711)
Increase in Compensated Absences Payable	1,504
Decrease in Intergovernmental Payable	(10,680)
Decrease in Deferred Revenue	2,277
Increase in Accrued Wages	861
Total Adjustments	16,749
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$54,670)</b>

*The notes to the general purpose financial statements are an integral part of this statement.*



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in Champaign County, and includes all of the Villages of North Lewisburg, Mingo, Woodstock and Cable and portions of Zane, Union, Wayne, Rush and Allen Townships. The District is staffed by 40 non-certificated employees, 79 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,093 students and other community members. The District currently operates three instructional buildings and an administrative building.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Ohio Hi-Point Joint Vocational District, the Western Ohio Computer Organization, the Metropolitan Educational Council, the West Central Ohio Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Program and Champaign, Delaware, Marion and Union Schools Consortium (CDMU). These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

**General Fund**

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

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Types:**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

**Enterprise Funds**

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the 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 period 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange 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, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue

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.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time of the final appropriations were passed by the Board of Education.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, level for the General Fund and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General Fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several significant supplemental appropriations were legally enacted.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

**D. Cash and Cash Equivalents**

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

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2002, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio) and a government security money market fund. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$46,564, which includes \$23,740 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**F. Inventory**

Inventories of the Enterprise Funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of the Enterprise Funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items. The Proprietary Funds record a current asset for the prepaid amount and an expense is reported in the year in which services are consumed. The Governmental Funds record an expenditure at the time of purchase, record a current asset for the prepaid amount which is equally offset by a fund balance reserve to indicate they do not represent available spendable resources.

**H. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents consisting of Bureau of Workers Compensation refunds in the amount of \$42,472. These rebates were previously part of the budget stabilization reserve and can now only be spent according to the requirements of S.B 345. A fund balance reserve has also been established.

Restricted assets in the Capital Projects Fund represents amounts withheld from contractor's payments for the school construction project. The amount withheld (retainage) will be paid to the contractors when the construction project has been completed.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years.

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- School Net Professional Development
- Ohio Reads
- Safe Schools
- Title I
- Title II
- Title VI
- Title VI-B
- Title VI-R
- Drug-Free Schools
- Tech Equity
- Raising the Bar
- ATIP Visual Equipment



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Projects Funds**

School Net  
Emergency Building Repair  
Classroom Facilities

**Reimbursable Grants**

**General Fund**

Vocational Education  
School Bus Purchase Program

**Enterprise Funds**

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately sixty-seven percent of the District's revenue during the fiscal year.

**K. 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 that the District will compensate the employees for the benefits through paid time off or some other means. The 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 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 District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds, long-term loans, and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

With the implementation of GASB 33 in 2001, contributed capital from sources outside the District is now recognized as Capital Contributions, a revenue line item, instead of as additions to contributed capital.

**O. Fund Balance Reserves and Designations**

The District records reservations and designations for portions of fund equity which are legally segregated for 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 of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, Bureau of Workers Compensation refunds, encumbrances, prepaid items, and debt service principal. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Fund equity is designated for uses allowed by S.B. 345, which eliminated the requirement for a budget stabilization set-aside.

**P. Use of Estimates**

The preparation of the 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.

**Q. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned Total-(Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances/fund equity 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis)
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for all governmental fund types and similar fiduciary fund (GAAP basis) as a note disclosure in the enterprise funds (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds**

	<b>Governmental Fund Types</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
Budget Basis	(\$ 11,623)	(\$6,915)	\$14,653	(\$8,929,892)	(\$1,499)
Adjustments:					
Revenue Accruals	(54,040)	5,575	(6,837)	(42,788)	(27)
Expenditure Accruals	1,162	2,931	1	(147,805)	
Other Financing Sources/(Uses)	(12,103)			20,000	
Encumbrances	39,618	25,800		3,752,713	
GAAP Basis	<u>(\$36,986)</u>	<u>\$27,391</u>	<u>\$7,817</u>	<u>(\$5,347,772)</u>	<u>(\$1,526)</u>

**Proprietary Fund Type  
Net Income (Loss)**

	<b>Enterprise Fund</b>
Budget Basis	(\$8,042)
Adjustments (Net):	
Revenue Accruals	(48,019)
Expenditure Accruals	(17,640)
Capital Contributions	288,943
Other	75,796
GAAP Basis	<u>\$291,038</u>

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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

Interim monies 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 services 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;
5. 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;
6. The State Treasurer's investment pool (STAROhio);

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

7. 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

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$2,997,113 and the bank balance was \$2,683,263. Of the bank balance \$200,000 was covered by federal depository insurance and \$2,483,263 was uninsured and uncollateralized.

**Investments:** The District's investments to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the State of Ohio Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents Deposits</b>	<b>Investments</b>
GASB Statement 9	\$ 6,153,390	\$0
Government Security Money		
Market Fund (Category 2)	(1,277,391)	1,277,391
STAR Ohio	<u>( 1,878,886)</u>	<u>1,878,886</u>
GASB Statement 3	<u>\$ 2,997,113</u>	<u>\$ 3,156,277</u>

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 real and tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. 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.

The District receives property taxes from Champaign, Union, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$118,545 in the General Fund and \$21,236 in the Debt Service Fund. The amount available as an advance at June 30, 2001, was \$133,507 in the General Fund and \$24,718 in the Debt Service Fund.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which calendar year 2002 taxes are being collected are:

	<b>2001 Second Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$54,970,860	84.59%	\$65,976,020	85.13%
Commercial	3,939,320	6.06	5,656,180	7.30
Public Utility	5,358,101	8.24	4,538,581	5.86
Tangible Personal	718,675	1.11	1,324,910	1.71
Total Assessed Value	<u>\$64,986,956</u>	<u>100.00%</u>	<u>\$77,495,691</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.46		\$36.40	

**6. INCOME TAX**

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax is 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of both property and income taxes, interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund:	
Open Enrollment	\$13,569
Special Revenue Fund:	
Drug Free Schools	1,960
Title VI	3,934
Title II	134
Capital Projects Fund:	
Ohio School Facilities Commission	293,170
Total Intergovernmental Receivables	<u>\$312,767</u>

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$378,084
Less: Accumulated Depreciation	<u>(56,545)</u>
Net Fixed Assets	<u>\$321,539</u>

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**8. FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$ 428,667			\$ 428,667
Buildings and Improvements	1,892,437	474,416		2,366,853
Furniture, Fixtures and Equipment	1,335,827	175,893	60,620	1,451,100
Vehicles	854,415	53,964	78,254	830,125
Construction in Progress	1,967,319	13,380,277		15,347,596
Total General Fixed Assets	<u>\$6,478,665</u>	<u>\$14,084,550</u>	<u>\$138,874</u>	<u>\$20,424,341</u>

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14%; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by statute. The adequacy of the contribution rate is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$55,126 \$37,811, and \$43,772, respectively, 50 percent has been contributed for 2002 and 100% percent for 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$27,388 is recorded as a liability in the respective funds.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits and disability, annual cost-of-living adjustments, and death benefits to members and 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.



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. 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 to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, \$325,288, \$304,059, and \$182,393, respectively, 83 percent has been contributed for 2002 and 100% percent for 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$54,932 is recorded as a liability in the respective funds.

**10. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligations 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.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 3, 2001, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$95,674 for fiscal year 2002.

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, 2001, were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio 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 2001, the board allocated employer contributions equal to 4.5 percent; of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$154,084.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	<b>Principal Outstanding 6/30/01</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/02</b>
<u>General Long-Term Obligations:</u>				
Long-Term Bonds and Loans:				
Modular Construction Loan 1998    5.25%	51,670		25,174	26,496
Modular Construction Loan 1999    4.85%	74,684		23,725	50,959
Land Loan 1999    4.50%	104,498		104,498	
School Facilities Construction Serial Bonds 2000    5.67%	3,065,000		80,000	2,985,000
School Facilities Construction Capital Appreciation Bonds 2000    17.40%	78,146	14,189		92,335
<b>Total Long-Term Bonds and Loans</b>	<b>3,373,998</b>	<b>14,189</b>	<b>233,397</b>	<b>3,154,790</b>
Other Long-Term Obligations:				
Lease-Purchase Agreement		2,338,000		2,338,000
Capital Leases Payable	36,146		23,736	12,410
Compensated Absences	391,356		199	391,157
<b>Total Other Long-Term Obligations</b>	<b>427,502</b>	<b>2,338,000</b>	<b>23,935</b>	<b>2,741,567</b>
<b>Total General Long-Term Obligations</b>	<b>\$3,801,500</b>	<b>\$2,352,189</b>	<b>\$257,332</b>	<b>\$5,896,357</b>

**Modular Construction Loan** - On March 25, 1998, the District entered into a bank loan in the amount of \$119,906 for the purpose of purchasing and constructing a modular classroom. The loan was issued for a 5 year period with final maturity during fiscal year 2003. The loan will be retired from the general fund.

**Modular Construction Loan** - On May 15, 1999, the District entered into a bank loan in the amount of \$118,893 for the purpose of purchasing and constructing two modular classrooms. The loan was issued for a 5 year period with final maturity during fiscal year 2004. The loan will be retired from the general fund.

**School Facilities Construction General Obligation Bonds**— On March 23, 2000, the District issued \$3,193,985 in voted general obligation bonds. These bonds included serial bonds and capital appreciation bonds in the amount of \$3,130,000 and \$63,985, respectively and capital appreciation bonds for the purpose of building a new school. The serial bonds are to mature serially December 1, 2000 through December 1, 2006, inclusive, and December 1, 2009 through December 1, 2002, inclusive; capital appreciation bonds mature December 1, 2007 and December 1, 2008. The bonds will be retired from the debt service fund. During 2002, the capital appreciation bonds had accretion in the amount of \$14,189.

**Land Loan** - In 1999 the District borrowed \$300,000 to purchase land. This loan is for a period of three years and will mature in 2002.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

**LEASE-PURCHASE AGREEMENT** - On March 13, 2002, the District entered into a lease-purchase (capital lease) agreement with the Rickenbacker Port Authority for the purpose of building a new school building and renovating existing buildings. The \$2,300,000 proceeds of this agreement will be commingled with funding received from the School Facilities Commission and the March 23, 2000 issuance of General Obligation Bonds to complete new building construction and renovations to existing buildings. The proceeds are to be repaid over 30 and ½ years with a final maturity of January 1, 2032.

Compensated absences will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the assessed valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted legal debt margin of \$3,924,604 and an unvoted debt margin of \$77,496.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	General Obligation Bonds	Construction Loans	Lease- Purchase Agreement	Total
2003	\$ 254,474	\$ 55,234	162,221	\$ 471,929
2004	254,890	27,348	161,442	443,680
2005	254,969		161,577	416,546
2006	254,700		161,600	416,300
2007	254,074		161,509	415,583
2008-2012	1,291,204		809,385	2,100,589
2013-2017	1,269,025		808,975	2,078,000
2018-2022	1,261,887		808,552	2,070,439
2023-2027	252,166		809,698	1,061,864
2027-2032			809,101	809,101
Total	\$5,347,389	\$82,582	\$4,854,060	\$10,284,031

**12. CAPITAL LEASES - COPIERS**

In prior years the District entered into a lease agreement for copiers. The terms of the lease provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$108,877, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. CAPITAL LEASES – COPIERS (Continued)**

Fiscal Year Ending June 30,	Amount
2003	12,628
Total minimum lease payments	12,628
Less interest:	(218)
Present value of minimum lease payments	\$12,410

The lease is being paid from the General Fund.

**13. ENTERPRISE FUND SEGMENT INFORMATION**

The District maintains two enterprise funds to account for the operations of lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Triad Local District as of and for the fiscal year ended June 30, 2002.

	<b>Lunchroom</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$222,783	\$873	\$223,656
Depreciation Expense	3,658		3,658
Operating Income (Loss)	(70,546)	873	(71,419)
Federal and State Subsidies	73,107		73,107
Current Year Capital Contributions	288,943		288,943
Contributed Capital	25,070		25,070
Net Income	290,165	873	291,038
Fixed Assets:			
Fixed Asset Additions	288,943		288,943
Net Working Capital	32,324	4,039	36,363
Total Assets	399,224	4,039	403,263
Total Equity	353,863	4,039	357,902

**14. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by Nationwide Insurance are as follows:

Building and Business Personal Property including EDP	
-replacement cost (\$1,000 deductible)	\$6,161,000
Marine Coverage (\$1,000 deductible)	100,000
Automobile Liability	
- (Comprehensive Deductibles – Buses - \$1,000, All Other - \$250; Collision Deductibles – Buses - \$1,000, All Other - \$500)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per Year	3,000,000

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. RISK MANAGEMENT (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant change in insurance coverage from the last year. The District no longer has uninsured/underinsured motorist coverage (UMC) offered as part of the Ohio School Plan due to legislation passed November 1, 2001, which allows insurance carriers to no longer offer UMC. The District also reduced the general liability total per year by \$2,000,000. There have also been rate increases; and, in some cases, these increases are substantial. This has forced the District to reduce coverage because the District could not afford the same premiums as they had before with the rate increases.

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 16). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

The District participates in the Champaign, Delaware, Marion, and Union Schools Consortium (CDMU), a self-insurance medical plan for ten (10) school districts, educational service centers and Board of Education. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

**15. JOINTLY GOVERNED ORGANIZATIONS**

**Ohio Hi-Point Joint Vocational School** - The Ohio Hi-Point Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**Western Ohio Computer Organization** - The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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 Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the Shelby County Educational Service Center, the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Metropolitan Educational Council (MEC)** -The MEC is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**West Central Ohio Special Education Regional Resource Center** – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

**16. INSURANCE PURCHASING POOLS**

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

**Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU)** - CDMU sponsors self-insured medical plans for ten (10) school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion, and Union Counties. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

**17. SET-ASIDE CALCULATIONS**

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 year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end. S.B. 345 eliminated the budget stabilization requirement and allows for this money to be spent for budget stabilization; school facility construction, renovation, or repair; textbooks and/or instructional materials; school bus purchases; and professional development of teachers.

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization during fiscal year 2002.

	<b>Textbook</b>	<b>Capital Improvements</b>	<b>Budget</b>
Balance June 30, 2001	(\$153,852)	(\$92,845)	\$42,472
Current Year Set Aside Requirement	132,195	132,195	
Current Year Offsets	0	53,000	
Qualifying Expenditures	(257,731)	(292,048)	
Amount Carried Forward to Future Fiscal Years	(\$279,388)	(\$199,698)	\$42,472

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

**18. SIGNIFICANT CONTRACTUAL COMMITMENTS**

At June 30, 2002, the had the following significant contractual commitments:

<b>Company</b>	<b>Project</b>	<b>Contract Amount</b>	<b>Remainin g Balance</b>
Badger Excavating	New building and renovations	\$1,531,250	\$184,865
A-1 Sprinkler	New building and renovations	520,481	98,139
Applied Mechanical Services	New building and renovations	3,829,000	468,539
Bruns General Contracting	New building and renovations	6,838,748	1,820,757
Farnham Equipment	New building and renovations	378,000	184,633
GV Aickman	New building and renovations	452,233	23,640
Mack Industries	New building and renovations	243,810	20,760
Carey Electric	New building and renovations	2,454,000	321,129
ADC Info Tech	New building and renovations	840,726	840,726

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**18. SIGNIFICANT CONTRACTUAL COMMITMENTS (Continued)**

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
Holcombs	New building and renovations	\$223,697	\$223,697
Tom Sexton	New building and renovations	219,720	219,720
Zimmerman	New building and renovations	29,008	29,008
Thomas Ruff	New building and renovations	19,277	19,277
Martin Pub. Stg.	New building and renovations	63,692	63,692

**19. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2002.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**TRIAD LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$22,371		\$21,929
National School Lunch Program	10.555	LLP4	46,599		46,599	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			46,599	22,371	46,599	21,929
<b>U.S. Department of Education</b>						
<i>(Passed through Ohio Department of Education)</i>						
Title I, Part A, ESEA	84.010	C1S1	98,209		109,905	
Special Education Grants to States	84.027	6BSF	67,666		67,666	
Safe and Drug Free Schools Title IV, Part A	84.186	DRS1	2,755		2,995	
Goals 2000	84.276	G2S2	0		31,606	
Eisenhower Professional Development State Grants, Title II, Part B	84.281	MSS1	4,689		1,929	
Innovative Education Program Strategies	84.298	C2S1	1,635		110	
Technology Literacy Challenge Fund Grants	84.318	TF	200,000		179,113	
Class Size Reduction	84.340	CRS1	24,160		23,330	
Assistive Technology Infusion Project Grant	84.352	ATSI	3,033		3,033	
<b>Total U.S. Department of Education</b>			402,147		419,687	
<b>Total Federal Financial Assistance</b>			<u>\$448,746</u>	<u>\$22,371</u>	<u>\$466,286</u>	<u>\$21,929</u>

*The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.*

**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Triad Local School District  
Champaign County  
7920 Brush Lake Road  
North Lewisburg, Ohio 43060

To the Board of Education:

We have audited the financial statements of Triad Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 12, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated November 12, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 12, 2002.

Triad Local School District  
Champaign County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and 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 black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

November 12, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Triad Local School District  
Champaign County  
7920 Brush Lake Road  
North Lewisburg, Ohio 43060

To the Board of Education:

**Compliance**

We have audited the compliance of Triad Local School District, Champaign County, (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the 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 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 internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance  
(Continued)**

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 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 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 operations that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and 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 black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 12, 2002



**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FISCAL YEAR ENDED JUNE 30, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Technology Literacy Challenge Fund Grants – CFDA # 84.318
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TRIAD LOCAL SCHOOL DISTRICT**

**CHAMPAIGN 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  
DECEMBER 23, 2002**