



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Triad Local School District, Champaign County, (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 1 describes.

For the fiscal year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

December 8, 2005

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Triad Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for fiscal year 2005 are as follows:

The District's net assets increased by \$250,611 or 49%. Program revenues accounted for \$1.3 million or 16% of total revenues, and general revenues accounted for \$7.9 million or 86%.

The general fund reported a positive fund balance in excess of \$300,000.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion with this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The District has also chosen to present the Governmental Debt Service and the Business Type Food Service Fund as major funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities and business type activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental and business type activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may also include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, we divide the District into two types of activities:

Governmental activities. Most of the District's basic services are reported here, including instruction, support services, non-instructional services, extracurricular activities, and capital outlay

Business-type activity. The District has two business-type activities, the food service program and the uniform school supply fund (Rotary Fund). Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the Governmental General Fund and Debt Service Fund and the Business Type Food Service Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at year-end available for spending in future periods. The District's significant funds are presented on the financial statements in separate columns, while the information for non-major funds are combined and presented in a single column. The Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program.

Proprietary Funds – Proprietary funds are presented on the modified cash basis of accounting, the same as on the entity-wide statements, therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds – The District is the trustee, or fiduciary, for its scholarship program and other items listed as private purpose trust. It is also responsible for other assets that, due to a trust arrangement, can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statement so of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Net Assets

	Governmental Activities 2005	Business – Type Activities 2005	Total 2005
Assets:			
Cash and Cash Equivalents	\$735,026	\$26,171	\$761,197
Net Assets:			
Restricted			
Debt Service	112,254		112,254
Other Purposes	227,238		227,238
Unrestricted	395,534	26,171	648,943
Total Net Assets	\$735,026	\$26,171	\$761,197

An additional portion of the District's net assets (14.7%) represent resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Table 2 reflects the changes in net assets for fiscal year 2005. Since the District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

**Table 2
Change in Net Assets**

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Revenues:			
Program Revenues			
Charges for Services	\$510,913	\$258,760	\$769,673
Operating Grants	453,318	61,537	514,855
Total Program Receipts	964,231	320,297	\$1,284,528
General Revenues			
Property Taxes	1,838,333		1,838,333
Income Taxes	950,251		950,251
Grants and Entitlements	5,056,956		5,056,956
Investment Earnings	20,601	64	20,665
Miscellaneous	22,602		22,602
Total General Revenues	7,888,743	64	7,888,807
Total Revenues	8,852,974	320,361	9,173,335

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Expenses:

Program Expenses

Instruction:

Regular	3,405,219	3,405,219
Special	993,534	993,534
Vocational	184,677	184,677

Support Services:

Pupil	405,655	405,655
Instructional Staff	216,842	216,842
General Administration	26,788	26,788
School Administration	890,764	890,764
Fiscal	237,138	237,138
Maintenance	788,890	788,890
Pupil Transportation	526,485	526,485
Central	208,282	208,282
Extracurricular Activities	306,317	306,317
Principal payments	138,999	138,999
Interest and Fiscal Charge	284,475	284,475
Food Service	308,876	308,876

Total Expenses	8,614,065	308,876	8,922,941
Changes in Net Assets	238,909	11,485	250,394

Net assets of the District's governmental activities increased by \$239,126 and unrestricted net assets reflect a balance of \$622,772. The increase in net assets is primarily the result of increased grant and entitlement general revenue.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. Tax revenues generated from a levy do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the affect of providing the District the same amount of tax dollars as originally approved. Therefore Districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues management of the resources is of paramount concern to District administration and the voting public. The District utilizes a five-year cash financial forecast to estimate revenues and control expenditures to assure tax levy revenues can maintain operations for a significant period of time. The current forecast does not reflect a need for additional operating resources until fiscal year 2009; however, expenditures are going to be exceeding revenues by the end of fiscal year 2007.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental and business type activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

**Table 3
Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
Instruction:		
Regular	\$3,405,219	\$2,990,460
Special	993,534	756,748
Vocational	184,677	125,949
Support Services:		
Pupils	405,655	405,655
Instructional Staff	216,842	197,560
Board of Education	26,788	26,788
Administration	890,764	831,112
Fiscal	237,138	237,138
Operation and Maintenance of Plant	788,890	787,782
Pupil Transportation	526,485	509,740
Central	208,282	194,282
Extracurricular Activities	306,317	163,146
Debt Service:		
Principal Retirement	138,999	138,999
Interest and Fiscal Charges	284,475	284,475
Total Disbursements	\$8,614,065	\$7,649,834

The District's reliance upon general revenues is obvious since 86% of total revenues for governmental activities come from general revenues. The reliance on general revenues to support governmental activities is indicated by the net cost of services column reflecting the need for \$7.6 million dollars.

Business-Type Activities

Business-type activities include Food Service and Rotary. These programs had an increase in net assets of \$11,485 for the fiscal year. The increase was due to food service and rotary cash receipts in excess of disbursements.

The District's Funds

The District's governmental funds reported a combined fund balance of \$735,026. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2005.

	Fund Balance June 30, 2005
General	\$395,536
Debt Service	112,254
Other Governmental	227,236
Total	\$735,026

**TRIAD LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

General Fund

The District's General Fund cash receipt highlights follow:

	2005
	Revenue Amounts
Taxes	\$2,527,176
Tuition & Fees	267,912
Interest Earnings	20,516
Intergovernmental	5,100,892
Other Revenue	63,128
Total	<u>\$7,979,624</u>

Other Funds

The District's Debt Service Fund balance decreased by \$2,066 due to increased debt service payments. The revenues of the fund are property taxes, calculated by the county auditor, and state homestead and rollback money computed as a percentage of the tax due to the fund. The expenses of the fund include debt principal and interest payments as well as county auditor and treasurer fees.

Other governmental funds consist of Special Revenue Funds and Capital Projects Funds. The increase in fund balance is the result of cash receipts in excess of disbursements.

General Fund Budgeting Highlights

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District amended its revenue estimates to reflect greater than originally anticipated revenues from taxes, interest and state sources. The final budget for expenditures increased by more than \$160,000 over the original budget primarily due to increased enrollment and staffing. Other appropriations required changes in functional categories due to spending patterns.

The District utilizes the five-year forecast as the original document from which to form the operating budget. After updating of the forecast for changes in revenue and expenditure assumptions the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. The departments then receive the remainder of funds to bring the budget into balance with the five-year forecast. The site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations during the year.

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

At June 30, 2005, the District had \$2.7 million in outstanding bonds. The District paid \$105,000 in principal on bonds outstanding during the fiscal year.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2005, the District's general obligation debt was below the legal limit.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Restrictions and Other Limitations

With the passage of the .5% income tax during May 2005 the District will improve its financial position as the last three fiscal years have had declining cash balances. The income tax issue provides the necessary funds for the District to manage current growth patterns while maintaining the educational program and the facilities. However, the future financial stability of the District is not without challenges.

The first challenge is for management to ensure resources can be preserved as long as possible. The five-year forecast of the general fund and the five year capital plans are utilized by management as a tool to manage resources effectively.

The second challenge facing the District is based on the economic slowdown and the increased operational costs since the inception of the building construction project. Adjustments, cuts and reduction in force have been made in order to alleviate expenses that outweigh the revenues. Those adjustments, cuts and reduction in force have been reflected into the financial forecast.

The last challenge facing the District is the future of State funding. On December 11, 2002 the Ohio Supreme Court found the Ohio School Funding system to be constitutional pending some modifications by the legislature. The District is unable to determine what effect, if any, this decision will have on future funding from the State. Additionally, the State is facing a deficit and uncertainty exists as to maintaining increases into the future.

Contacting the District's Financial Management

The financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed at Maureen Scott, Treasurer, Triad Local District, 7920 Brush Lake Road, North Lewisburg, Ohio 43060.

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$735,026	\$26,171	\$761,197
Net Assets:			
Restricted for:			
Debt Service	112,254		112,254
Other Purposes	227,238		227,238
Unrestricted	395,534	26,171	421,705
Total Net Assets	\$735,026	\$26,171	\$761,197

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

TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) and Changes In Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Current:						
Instruction:						
Regular	\$3,405,219	\$311,248	\$103,511	(\$2,990,460)		(\$2,990,460)
Special	993,534		236,786	(756,748)		(756,748)
Vocational	184,677		58,728	(125,949)		(125,949)
Support Services:						0
Pupils	405,655			(405,655)		(405,655)
Instructional Staff	216,842		19,282	(197,560)		(197,560)
General Administration	26,788			(26,788)		(26,788)
School Administration	890,764	56,494	3,158	(831,112)		(831,112)
Fiscal Services	237,138			(237,138)		(237,138)
Maintenance	788,890		1,108	(787,782)		(787,782)
Pupil Transportation	526,485		16,745	(509,740)		(509,740)
Central	208,282		14,000	(194,282)		(194,282)
Extracurricular Activities	306,317	143,171		(163,146)		(163,146)
Debt Service:						
Principal	138,999			(138,999)		(138,999)
Interest	284,475			(284,475)		(284,475)
Total Governmental Activities	8,614,065	510,913	453,318	(7,649,834)		(7,649,834)
Business-Type Activities						
Food Service	308,876	256,193	61,537		8,854	8,854
Special Rotary		2,567			2,567	2,567
Total Business-Type Activities	308,876	258,760	61,537		11,421	11,421
Totals	\$8,922,941	\$769,673	\$514,855	(7,649,834)	11,421	(7,638,413)
General Receipts:						
Property Taxes Levied for:						
General Purposes				1,607,640		1,607,640
Debt Service				230,693		230,693
Income Taxes				950,251		950,251
Grants and Entitlements not Restricted to Specific Programs				5,056,956		5,056,956
Interest				20,601	64	20,665
Miscellaneous				22,602		22,602
Total General Receipts				7,888,743	64	7,888,807
Change in Net Assets				238,909	11,485	250,394
Net Assets at Beginning of Year				496,117	14,686	510,803
Net Assets at End of Year				\$735,026	\$26,171	\$761,197

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$395,536	\$112,254	\$227,236	\$735,026
Fund Balances:				
Reserved for Encumbrances	77,748		14,940	92,688
Unreserved, Reported in:				
General Fund	317,788			317,788
Special Revenue Funds			177,709	177,709
Debt Service Fund		112,254		112,254
Capital Projects Funds			34,587	34,587
Total Fund Balances	\$395,536	112,254	\$227,236	\$735,026

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property Taxes	\$1,576,925	\$230,693	\$30,715	\$1,838,333
Income Taxes	950,251			950,251
Intergovernmental	5,100,892	27,661	381,721	5,510,274
Interest	20,516		85	20,601
Tuition and Fees	267,912			267,912
Extracurricular	5,215		174,089	179,304
Other Local	51,263		28,603	79,866
Miscellaneous	6,650			6,650
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	7,979,624	258,354	615,213	8,853,191
Cash Disbursements:				
Current:				
Instruction:				
Regular	3,295,416		109,803	3,405,219
Special	754,873		238,661	993,534
Vocational	184,677			184,677
Support Services:				
Pupils	405,655			405,655
Instructional Staff	195,472		21,370	216,842
Board of Education	26,788			26,788
Administration	823,940		66,824	890,764
Fiscal	230,908	5,452	778	237,138
Operation and Maintenance of Plant	756,821		32,069	788,890
Pupil Transportation	524,612		1,873	526,485
Central	193,932		14,350	208,282
Extracurricular Activities	193,208		113,109	306,317
Debt Service:				
Principal Retirement		138,999		138,999
Interest and Fiscal Charges		280,030	4,445	284,475
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements	7,586,302	424,481	603,282	8,614,065
Receipts Over (Under) Disbursements	393,322	(166,127)	11,931	239,126
Other Financing Sources (Uses):				
Advances Out	(461)			(461)
Transfers In	726	164,061	3,784	168,571
Transfers Out	(164,381)		(3,946)	(168,327)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(164,116)	164,061	(162)	(217)
Changes in Fund Balances	229,206	(2,066)	11,769	238,909
Fund Balances at Beginning of Year	166,330	114,320	215,467	496,117
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances at End of Year	\$395,536	\$112,254	\$227,236	\$735,026

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL-BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Cash Receipts:				
Property Taxes	\$1,596,453	\$1,582,553	\$1,576,925	(\$5,628)
Income Taxes	900,000	950,255	950,251	(4)
Intergovernmental - State	5,019,588	5,104,873	5,100,892	(3,981)
Interest	9,100	21,700	20,516	(1,184)
Tuition and Fees	267,000	268,500	267,912	(588)
Sales	5,000	7,500	5,215	(2,285)
Other Local Revenue	45,394	52,420	51,263	(1,157)
Total Receipts	7,842,535	7,987,801	7,972,974	(14,827)
Cash Disbursements:				
Current:				
Instruction:				
Regular	3,327,701	3,436,701	3,355,984	80,717
Special	726,140	771,140	765,511	5,629
Vocational	182,300	190,300	184,677	5,623
Support Services:				
Pupil	416,050	416,050	406,751	9,299
Instructional Staff	175,944	194,944	195,472	(528)
Board of Education	21,575	28,575	26,989	1,586
Administration	790,605	844,605	823,940	20,665
Fiscal	285,975	276,975	230,908	46,067
Maintenance & Operations	849,920	817,920	758,621	59,299
Pupil Transportation	577,505	521,505	525,857	(4,352)
Central	196,250	201,250	196,132	5,118
Extracurricular Activities	195,650	202,650	193,208	9,442
Total Disbursements	7,745,615	7,902,615	7,664,050	238,565
Excess of Receipts Over Expenditures	96,920	85,186	308,924	223,738
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	6,000	6,900	6,650	(250)
Operating Transfers In		730	726	(4)
Advances Out		(500)	(461)	39
Transfers Out	(164,200)	(169,200)	(164,381)	4,819
Total Other Financing Sources (Uses)	(158,200)	(162,070)	(157,466)	4,604
Change in Fund Balance	(61,280)	(76,884)	151,458	228,342
Fund Balances at Beginning of Year	144,718	144,718	144,718	
Prior Year Encumbrances Appropriated	21,612	21,612	21,612	
Fund Balances at End of Year	\$105,050	\$89,446	\$317,788	\$228,342

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

TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Food Service</u>	<u>Rotary</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>\$15,622</u>	<u>\$10,549</u>	<u>\$26,171</u>
Net Assets:			
Unrestricted	<u>\$15,622</u>	<u>\$10,549</u>	<u>\$26,171</u>

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Food Service</u>	<u>Rotary</u>	<u>Enterprise</u>
Operating Cash Receipts:			
Sales	\$256,193	\$2,567	\$258,760
Operating Cash Disbursements:			
Salaries & Wages	145,881		145,881
Fringe Benefits	50,540		50,540
Purchased Services	1,397		1,397
Supplies & Materials	111,058		111,058
Total Operating Disbursements	308,876		308,876
Operating Income (Loss)	(52,683)	2,567	(50,116)
Nonoperating Cash Receipts:			
Federal & State Subsidies	61,537		61,537
Interest Income	64		64
Total Nonoperating Receipts	61,601		61,601
Change in Net Assets	8,918	2,567	11,485
Net Assets at Beginning of Year	6,704	7,982	14,686
Net Assets at End of Year	<u>\$15,622</u>	<u>\$10,549</u>	<u>\$26,171</u>

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	<u>\$9,883</u>	<u>\$54,397</u>
 Net Assets		
Unrestricted	<u>\$9,883</u>	<u>\$54,397</u>

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Additions:	
Gifts and Contributions	\$7,500
Interest	<u>430</u>
Total Additions	7,930
Deductions:	
Scholarships Awarded	<u>3,750</u>
Change in Net Assets	4,180
Net Assets at Beginning of Year	<u>5,703</u>
Net Assets at End of Year	<u><u>\$9,883</u></u>

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

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity 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 and federal guidelines.

The District is located in Champaign County, and includes all the Villages of North Lewisburg, Mingo, Woodstock and Cable and portions of Zane, Union, Wayne, Rush and Allen Townships. The District is staffed by 44 non-certificated employees, 83 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,128 students and other community members. The District currently operates three instructional buildings and one administrative building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. The District's management believes these financial statements present all activities for which the District is financially accountable.

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 (SERRC), Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU), and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 11 and 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis or accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

For fiscal year 2005, the District has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement #34 for financial reporting on a cash basis, which is a basis of accounting other than generally accepted accounting principles in the United States of America and GAS 38 for certain financial statements note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The District's basic financial statements consist of government-wide statements including a statement of net assets and a statement of activities, and the fund statements that provide a more detailed level of financial information.

1. Government-Wide Financial Statement

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except.

The statement of net assets – modified cash basis presents the cash basis financial condition of governmental and business-type activities of the District at year-end. The government-wide statement of activities compares disbursements with program receipts for each segment of the District's business-type activities and for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the District's general receipts.

2. Fund Financial Statements

The District uses funds to maintain its financial records during the fiscal year. 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. For financial statement presentations purposes, the various funds of the District are grouped into the following categories: governmental, enterprise, and fiduciary.

Fund financial statements report more detailed information about the District. The focus of governmental and enterprise fund financial statement is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statement report all other receipts and disbursements as non-operating.

3. Major Governmental Funds:

Governmental funds focus on the sources, uses and balances of current financial resources. The following are the District's governmental funds:

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

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

4. Major Enterprise Funds:

Enterprise 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 Enterprise Funds:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Rotary Fund - The rotary fund is used to account for school supplies purchased and sold to students in the District.

5. Fiduciary Funds:

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. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as enterprise funds. Agency funds are purely custodial and thus do not involve measurement of results of operation.

C. Budgetary Process

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

D. Cash and Cash Equivalents

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund's portion of this pool is presented as "Cash and Cash Equivalents" in the financial statements.

The District values investments and cash equivalents at cost.

During fiscal year 2005, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the open market.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

E. Inventory

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

F. Capital Assets

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

G. Accrued Liabilities and Long-Term Obligations

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

H. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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. Transfers in and out do not balance on the Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances as a result of transfers from Agency Funds, which do not present operations, to the General Fund for reimbursement of expenses.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the District has implement Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40, establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the District's financial statements.

4. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the District into three categories. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those money which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2D).

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The School District has no deposit policy for custodial risk beyond the requirements of State statute. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution.

At fiscal year end, the carrying amount of the District's deposits was \$756,871 and the bank balance was \$803,860. Of the bank balance \$202,176 was covered by federal depository insurance and \$601,384 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments:

Investments are reported at cost. As of June 30, the District's only investment was in STAR Ohio in the amount of \$68,606. STAR Ohio is an external investment pool and is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAA by Standard and Poor's.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with read property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Champaign, Union, and Logan Counties.

The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,398,290	93.20%	\$82,173,090	94.22%
Public Utility Personal Property	3,803,130	4.64%	3,728,470	4.27%
Tangible Personal Property	1,769,260	2.16%	1,313,312	1.51%
Total Assessed Value	<u>\$81,970,680</u>	<u>100.00%</u>	<u>\$87,214,872</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.10		\$28.85	

6. INCOME TAXES

The District levies a voted tax of one and one-half 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. 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 2004, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by OSP Insurance are as follows:

Building and Contents - Replacement Cost (\$2,500 deductible)	\$29,009,500
Audio Visual Equipment (\$1000 deductible)	275,000
Miscellaneous Equipment (\$1,000 deductible)	102,000
Automobile Liability (\$1,000 deductible)	2,000,000
Electronic Equipment (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per Year	5,000,000

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

For fiscal year 2005, the District participated in the Ohio School boards Association Workers' Compensation Group Rating Program ("Program"), an insurance purchasing pool (Note 11). 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 Programs selection criteria. The firm of Sheakley Co. provides administrative, cost control and actuarial services to the Program.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2002 were \$114,548, \$111,513, and \$96,901 respectively; 100% percent has been contributed for fiscal year 2005, 2004, and 2003.

B. State Teachers Retirement

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$496,842, \$501,847, and \$489,401 respectively; 100 percent has been contributed for fiscal year 2005, 2004, and 2003. The District had not contributed under the Combined Plan.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. 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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$38,219.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$91,895 to fund health care benefits, including the surcharge.

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, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

10. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance at 6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2005</u>
General Long-Term Obligations				
Long-Term Bonds and Loans:				
School Facilities Construction 2000				
5.67%	\$2,790,000		105,000	2,685,000
Appreciations Bonds 2000 17.40%	63,985			63,985
Total Long-Term Bonds and Loans	<u>2,853,985</u>		<u>105,000</u>	<u>2,748,985</u>
Other Long-Term Obligations				
Lease –Purchase Agreement	2,275,000		34,000	2,241,000
Capital Leases Payable	199,637		66,434	133,203
Total Other Long-Term Obligations	<u>2,474,637</u>		<u>100,434</u>	<u>2,374,203</u>
Total General Long-Term Obligations	<u>\$5,328,622</u>		<u>\$205,434</u>	<u>\$5,123,188</u>

School Facilities Construction – On March 23, 2000, the District issued \$3,193,985 in voted general obligation bonds. These bonds included serial and capital appreciation bonds in the amount of \$3,130,000 and \$63,985 respectively for the purpose of building a new school. The bonds were issued with a final maturity of December 1, 2022. The bonds will be retired from the debt service fund.

Lease Purchase Agreement – On March 13, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority(RPA) 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 Obligations Bonds to complete the projects. The proceeds are to be paid over 30 ½ years with a final maturity of January 1, 2032. In 2002, the RPA merged with the Columbus Regional Airport Authority to become Columbus Municipal Airport Authority.

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 property valuation of the District. The effects of these debt limitations at June 30, 2005 are a voted legal debt margin of \$2,544,139 and an unvoted debt margin of \$87,215.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>Lease- Purchase Agreement</u>	<u>Total</u>
2006	\$ 254,700	\$ 164,045	\$ 418,745
2007	254,074	163,914	417,988
2008	261,170	164,638	425,808
2009	261,170	164,219	425,389
2010	257,951	163,685	421,636
2011 – 2015	1,274,233	819,792	2,094,025
2016 – 2020	1,262,590	817,080	2,079,670
2021 – 2025	757,166	816,021	1,573,187
2026 – 2030		812,995	812,995
2031 - 2032		323,856	323,856
	<u>\$4,583,054</u>	<u>\$4,410,245</u>	<u>\$8,993,299</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. CAPITAL LEASES – COPIES

In prior years the District entered into a lease agreement for copies. The terms of the lease provide options to purchase the equipment. The lease meets the criteria of 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. These expenditures are reflected as program/function expenditures on the financial statements.

Fiscal Year Ending June, 30	Amount
2006	\$ 76,607
2007	64,427
Total minimum lease payments	141,034
Less interest:	(7,831)
Present Value of Minimum Lease	<u>\$ 133,203</u>

The lease is being paid from the General Fund.

12. 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 Adelserger, 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.

Metropolitan Educational Council - The Metropolitan Educational Council (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, or 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 an 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. INSURANCE PURCHASING POOLS

The Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of 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 school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzizko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 45235.

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 school districts is calculated as one experience and a common premium rate is applied to all school 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 school districts that can meet the program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU) – CDMU sponsors self-insured medical plans for nine (9) 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 nine (9) districts and service centers, there were three (3) plans/plan options 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 Dublin, Ohio facility.

14. SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. S.B. 345 eliminated the requirement for budget stabilization, however, the amount set-aside from Bureau of Workers Compensations refunds must be spent in accordance with S.B. 345.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. SET ASIDE REQUIREMENTS (Continued)

	Textbooks	Capital Acquisition
Balance June 30, 2003	(\$374,764)	(\$467,528)
Current Year Set-Aside Requirement	152,650	152,650
Current Year Offsets		32,484
Qualifying Expenditures	(126,186)	(272,417)
Amount Carried Forward to Fiscal Year 2005	(348,300)	(\$554,811)

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-asides to offset set-aside requirements.

15. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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.

16. CONTINGENCIES

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, 2005.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Triad Local School District (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2005, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance

As part of reasonably assuring 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 an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as findings as item 2005-001. In a separate letter to the District's management dated December 8, 2005, we reported other matters related to noncompliance we deemed immaterial.

Triad Local School District
Champaign County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 8, 2005

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its FY 05 financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2004-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failure to prepare GAAP financial statements	No	Repeated as finding 2005-001 in the report letter.
2004-002	ORC Sec. 5705.10 – Negative Fund Balances	No	Repeated in management letter



**Auditor of State
Betty Montgomery**

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800-282-0370

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**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 22, 2005**