

***TRIWAY LOCAL SCHOOL DISTRICT***

***WAYNE COUNTY***

**Audit Report**

**For the Year Ended June 30, 2007**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





Mary Taylor, CPA  
Auditor of State

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691

We have reviewed the *Report of Independent Accountants* of the Triway Local School District, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 9, 2008

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**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**AUDIT REPORT**  
**For the Year Ending June 30, 2007**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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REPORT OF INDEPENDENT ACCOUNTANTS

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, Ohio, (the District), as of and for the year ended June 30, 2007, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof 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 December 13, 2007 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, 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 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.

The 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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

***Charles E. Harris & Associates, Inc.***

December 13, 2007

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The discussion and analysis of the Triway 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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$1,244,142 which represents a 68.85% increase from 2006.
- General revenues accounted for \$15,721,693 in revenue or 81.93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,468,144 or 18.07% of total revenues of \$19,189,837.
- The District had \$17,945,685 in expenses related to governmental activities; only \$3,468,144 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,721,693 were adequate to provide for these programs.
- The District's two major governmental funds are the general fund and permanent improvement fund. The general fund had \$16,246,984 in revenues and \$15,418,193 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$836,722 from \$199,519 to \$1,036,241.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$623,253 in revenues and \$872,952 in expenditures and other financing uses. During fiscal year 2007, the permanent improvement fund's fund balance decreased \$249,699 from \$843,129 to \$593,430.

**Using the Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, expenses and revenues* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors 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, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial 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 fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

***Fiduciary Funds***

The District acts as fiduciary in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-48 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 10,550,298	\$ 8,306,881
Capital assets, net	<u>3,562,195</u>	<u>3,306,039</u>
Total assets	<u>14,112,493</u>	<u>11,612,920</u>
<b><u>Liabilities</u></b>		
Current liabilities	8,360,570	6,776,787
Long-term liabilities	<u>2,700,816</u>	<u>3,029,168</u>
Total liabilities	<u>11,061,386</u>	<u>9,805,955</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,123,859	1,578,452
Restricted	796,043	960,935
Unrestricted (deficit)	<u>131,205</u>	<u>(732,422)</u>
Total net assets	<u>\$ 3,051,107</u>	<u>\$ 1,806,965</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$3,051,107.

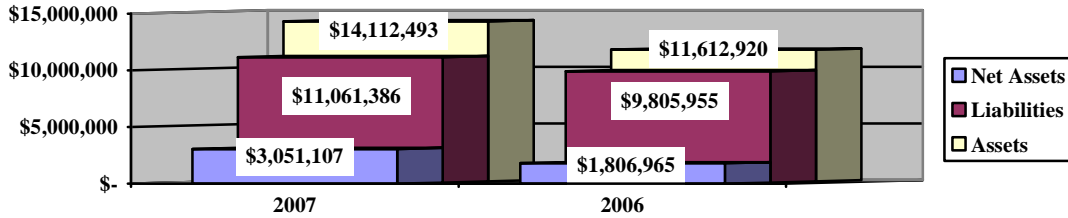
At year-end, capital assets represented 25.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2007, was \$2,123,859. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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A portion of the District's net assets, \$796,043, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$131,205.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,577,470	\$ 1,364,288
Operating grants and contributions	1,789,303	1,398,552
Capital grants and contributions	101,371	60,307
General revenues:		
Property taxes	6,977,403	6,517,826
Grants and entitlements	8,536,887	8,605,294
Investment earnings	185,271	111,907
Other	<u>22,132</u>	<u>49,125</u>
Total revenues	<u>19,189,837</u>	<u>18,107,299</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,207,157	\$ 8,174,697
Special	1,500,419	1,247,398
Vocational	419,169	408,539
Other	144,269	117,655
Support services:		
Pupil	516,165	513,215
Instructional staff	789,516	776,032
Board of education	47,676	48,027
Administration	1,288,354	1,321,274
Fiscal	367,412	364,435
Business	46,935	44,760
Operations and maintenance	1,428,921	1,329,420
Pupil transportation	980,139	955,278
Central	441,240	430,473
Operation of non-instructional:		
Food service operations	753,294	783,359
Operations of non-instructional services	200,604	198,900
Extracurricular activities	729,110	686,326
Interest and fiscal charges	<u>85,315</u>	<u>98,228</u>
Total expenses	<u>17,945,695</u>	<u>17,498,016</u>
Change in net assets	1,244,142	609,283
Net assets at beginning of year	<u>1,806,965</u>	<u>1,197,682</u>
Net assets at end of year	<u>\$ 3,051,107</u>	<u>\$ 1,806,965</u>

**Governmental Activities**

The net assets of the District's governmental activities increased \$1,244,142. Total governmental expenses of \$17,945,695 were offset by program revenues of \$3,468,144 and general revenues of \$15,721,693. Program revenues supported 19.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.85% of total governmental revenue. Real estate property is reappraised every six years.

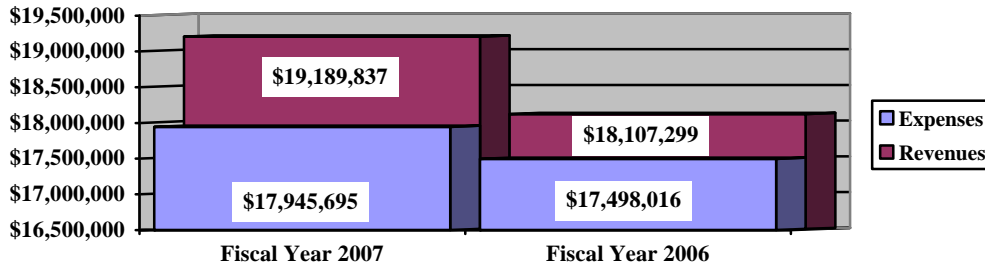
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,271,014 or 57.23% of total governmental expenses for fiscal year 2007.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

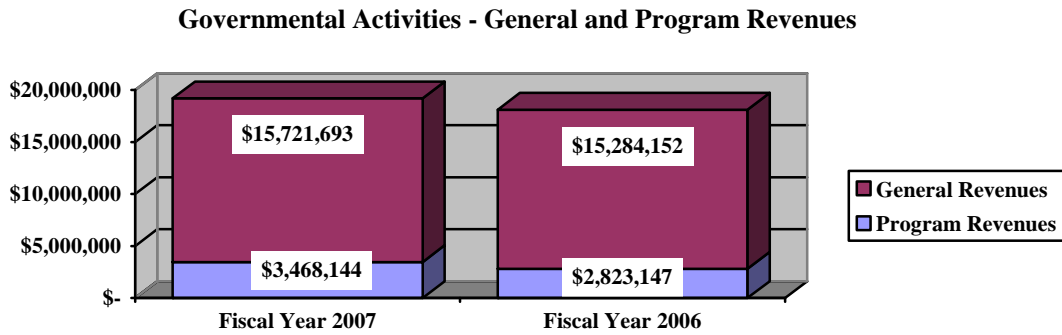
	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,207,157	\$ 7,454,860	\$ 8,174,697	\$ 7,459,004
Special	1,500,419	369,953	1,247,398	1,053,901
Vocational	419,169	356,198	408,539	408,539
Other	144,269	144,269	117,655	117,655
Support services:				
Pupil	516,165	510,869	513,215	513,215
Instructional staff	789,516	762,225	776,032	307,187
Board of education	47,676	47,676	48,027	48,027
Administration	1,288,354	1,215,904	1,321,274	1,243,255
Fiscal	367,412	367,412	364,435	361,729
Business	46,935	46,935	44,760	44,760
Operations and maintenance	1,428,921	1,415,954	1,329,420	1,280,219
Pupil transportation	980,139	893,134	955,278	953,920
Central	441,240	434,404	430,473	408,601
Operation of non-instructional:				
Food service operations	753,294	(3,749)	783,359	(7,561)
Operations of non-instructional services	200,604	4,707	198,900	(900)
Extracurricular activities	729,110	371,485	686,326	385,090
Interest and fiscal charges	85,315	85,315	98,228	98,228
<b>Total expenses</b>	<u>\$ 17,945,695</u>	<u>\$ 14,477,551</u>	<u>\$ 17,498,016</u>	<u>\$ 14,674,869</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.67%. The District's taxpayers and unrestricted funding from state sources primarily support the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,757,265, which is higher than last year's total of \$1,167,732. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase\ <u>(Decrease)</u>
General	\$ 1,036,241	\$ 199,519	\$ 836,722
Permanent improvement	593,430	843,129	(249,699)
Other Governmental	<u>127,594</u>	<u>125,084</u>	<u>2,510</u>
Total	<u>\$ 1,757,265</u>	<u>\$ 1,167,732</u>	<u>\$ 589,533</u>

**General Fund**

The District's general fund's fund balance increased \$836,722. The increase in fund balance is due mainly to increasing tax and intergovernmental revenues exceeding expenditures.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase\</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,349,961	\$ 5,984,720	\$ 365,241	6.10 %
Tuition	608,551	488,341	120,210	24.62 %
Earnings on investments	185,271	110,515	74,756	67.64 %
Intergovernmental	8,984,668	8,605,294	379,374	4.41 %
Other revenues	<u>118,533</u>	<u>176,968</u>	<u>(58,435)</u>	<u>(33.02) %</u>
Total	<u>\$ 16,246,984</u>	<u>\$ 15,365,838</u>	<u>\$ 881,146</u>	<u>5.73 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 9,851,223	\$ 9,547,687	\$ 303,536	3.18 %
Support services	5,122,327	4,912,446	209,881	4.27 %
Extracurricular activities	<u>386,356</u>	<u>371,559</u>	<u>14,797</u>	<u>3.98 %</u>
Total	<u>\$ 15,359,906</u>	<u>\$ 14,831,692</u>	<u>\$ 528,214</u>	<u>3.56 %</u>

The most significant increase in revenues occurred in tuition and earnings on investments. Tax revenues increased 6.10%. Full collection of the \$1.2 million emergency levy passed in November 2005 attributed to the tax revenue increase. FY 2006 realized only one-half collection. A substantial increase in the number of open-enrolled students coming to Triway resulted in additional tuition revenues. The increase in earnings on investment was primarily due to increases in interest rates received on investments. Overall, expenditures increased 3.56% due to an increase in the teacher contracts (consistent with the previous year).

***Permanent Improvement Fund***

The District's permanent improvement fund, fund balance decreased by \$249,699. The decrease in fund balance can be attributed to the increase in spending for capital outlays and transfers out to other funds in the amount of \$319,656. The table that follows assists in illustrating the financial activities and fund balance of the permanent improvement fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 538,156	\$ 547,074	(1.63) %
Intergovernmental	<u>85,097</u>	<u>60,307</u>	41.11 %
Total	<u>\$ 623,253</u>	<u>\$ 607,381</u>	2.61 %
<b><u>Expenditures</u></b>			
Instruction	\$ 15,994	\$ 25,935	(38.33) %
Support services	214,930	58,841	265.27 %
Facilities acquisition and construction	<u>322,372</u>	<u>137,314</u>	134.77 %
Total	<u>\$ 553,296</u>	<u>\$ 222,090</u>	149.13 %

The increase in support services is due to the purchase of copiers and computer equipment. The increase in facilities acquisition and construction can be attributed to the purchase of a new track. The increase in intergovernmental revenue is a result of increased revenues from state sources.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2007, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues were \$15,822,551 and final budgeted revenues were \$16,448,280. Actual revenues and other financing sources for fiscal year 2007 was \$16,366,548. This represents a \$81,732 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,353,521 were increased to \$15,535,321 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$15,499,414, which was \$35,907 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the District had \$3,562,195 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 75,083	\$ 75,083
Land improvements	393,565	75,820
Building and improvements	2,494,954	2,613,011
Furniture and equipment	256,867	253,004
Vehicles	<u>341,726</u>	<u>289,121</u>
<b>Total</b>	<b><u>\$ 3,562,195</u></b>	<b><u>\$ 3,306,039</u></b>

Total additions to capital assets for 2007 were \$617,381. The overall increase in capital assets of \$256,156 is primarily due to the additions exceeding depreciation of \$329,858 and disposals of \$31,367 (net of accumulated depreciation).

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2007, the District had \$298,421 in energy conservation notes and \$1,139,915 in tax anticipation notes outstanding. Of this total, \$305,456 is due within one year and \$1,132,880 is due within greater than one year. The following table summarizes the notes outstanding.



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Outstanding Debt, at Year End**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Energy conservation notes	\$ 298,421	\$ 340,049
Tax anticipation notes	<u>1,139,915</u>	<u>1,387,538</u>
Total	<u>\$ 1,438,336</u>	<u>\$ 1,727,587</u>

The energy conservation notes were received in 1992. These notes are scheduled to mature in fiscal year 2013 and bear an interest rate of 6.05%. Payment of principal and interest on the energy conservation note is being made from the debt service fund.

The tax anticipation notes were received in 2000. These notes are scheduled to mature in fiscal year 2010 and bear an interest rate of 5.70%. Payment of principal and interest on the tax anticipation note is being made from the debt service fund.

See Note 9 to the basic financial statements for additional information on the District's long term debt.

**Current Financial Related Activities**

District finances changed dramatically with the passage of a 3-year, \$1.2 million emergency levy in November 2005. Full collection was realized in fiscal year 2007. The Board reinstated full transportation and eliminated pay-to-participate activities fees. However, other financial reductions, such as limited field trips and no overtime, continue. The district plans to implement all-day, everyday kindergarten in fiscal year 2007 to eliminate midday busing. A 5.9 mill levy up for renewal in fiscal year 2007 passed in May. Triway is very close to the 20-mill floor.

Negotiations during spring 2006 resulted in salary increases and additional employee contributions to the health care plan. Bases wages/salaries will increase 2.95%-2.85%-2.75% over the life of the three-year negotiated agreement.

The enrollment factor continues to be of concern. State funding no longer averages enrollment over a three-year period, which is a disadvantage to districts, such as Triway, with declining enrollments. The Board hopes improving curriculum, technology and test scores may draw more students to the District.

Meanwhile, as the Board attempts to fulfill unfunded mandates set by NCLB, state funding is being reduced through various legislative mechanisms. The phase-out of inventory taxes is being accelerated. The \$10,000 exemption reimbursement is also phased-out, even though the exemption still exists. Tangible personal property (TPP) taxes are due to be completely eliminated by 2010. State reimbursements will come by direct payment and eventually via the school foundation system as a result of reduced valuation. Because Triway is on the transitional aid guarantee, the SF3 calculation reducing the total valuation due to TPP tax loss will not create additional revenue for the district. Administrative fees are taking a bite out of rollback and homestead reimbursements. These losses translate into real dollars for Triway to recoup.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sue Kruse, Treasurer, Triway Local School District, 3205 Shreve Road, Wooster, Ohio 44691-4498.

**BASIC  
FINANCIAL STATEMENTS**

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,384,046
Receivables:	
Taxes . . . . .	7,025,422
Accounts . . . . .	1,293
Intergovernmental . . . . .	65,671
Materials and supplies inventory . . . . .	38,899
Prepayments . . . . .	34,967
Capital assets, net. . . . .	
Land . . . . .	75,083
Depreciable capital assets, net . . . . .	3,487,112
Capital assets, net. . . . .	3,562,195
 Total assets. . . . .	 14,112,493
 <b>Liabilities:</b>	
Accounts payable. . . . .	26,138
Accrued wages and benefits . . . . .	1,360,644
Pension obligation payable. . . . .	373,145
Intergovernmental payable . . . . .	31,295
Unearned revenue . . . . .	6,534,355
Accrued interest payable . . . . .	16,667
Claims payable . . . . .	18,326
Long-term liabilities:	
Due within one year. . . . .	483,496
Due within more than one year . . . . .	2,217,320
Total liabilities . . . . .	11,061,386
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,123,859
Restricted for:	
Locally funded programs. . . . .	470
State funded programs . . . . .	208
Student activities . . . . .	77,870
Public school support . . . . .	21,833
Other purposes. . . . .	86,354
Capital projects . . . . .	609,308
Unrestricted . . . . .	131,205
 Total net assets . . . . .	 \$ 3,051,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,207,157	\$ 690,009	\$ 33,922	\$ 28,366	\$ (7,454,860)
Special . . . . .	1,500,419	1,975	1,128,491	-	(369,953)
Vocational . . . . .	419,169	-	62,971	-	(356,198)
Other. . . . .	144,269	-	-	-	(144,269)
Support services:					
Pupil. . . . .	516,165	-	5,296	-	(510,869)
Instructional staff . . . . .	789,516	-	27,291	-	(762,225)
Board of education . . . . .	47,676	-	-	-	(47,676)
Administration. . . . .	1,288,354	72,450	-	-	(1,215,904)
Fiscal. . . . .	367,412	-	-	-	(367,412)
Business. . . . .	46,935	-	-	-	(46,935)
Operations and maintenance . . . . .	1,428,921	12,967	-	-	(1,415,954)
Pupil transportation . . . . .	980,139	-	14,000	73,005	(893,134)
Central . . . . .	441,240	-	6,836	-	(434,404)
Operation of non-instructional services:					
Food service operations . . . . .	753,294	442,444	314,599	-	3,749
Other non-instructional services . . . . .	200,604	-	195,897	-	(4,707)
Extracurricular activities. . . . .	729,110	357,625	-	-	(371,485)
Interest and fiscal charges . . . . .	85,315	-	-	-	(85,315)
Total governmental activities . . . . .	<u>\$ 17,945,695</u>	<u>\$ 1,577,470</u>	<u>\$ 1,789,303</u>	<u>\$ 101,371</u>	<u>(14,477,551)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,432,579
Capital projects . . . . .					544,824
Grants and entitlements not restricted to specific programs . . . . .					8,536,887
Investment earnings . . . . .					185,271
Miscellaneous . . . . .					22,132
Total general revenues . . . . .					<u>15,721,693</u>
Change in net assets . . . . .					1,244,142
<b>Net assets at beginning of year . . . . .</b>					<u>1,806,965</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 3,051,107</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,484,095	\$ 571,762	\$ 112,950	\$ 3,168,807
Receivables:				
Taxes . . . . .	6,475,327	550,095	-	7,025,422
Accounts . . . . .	1,293	-	-	1,293
Intergovernmental . . . . .	-	-	65,671	65,671
Materials and supplies . . . . .	11,567	-	27,332	38,899
Prepayments . . . . .	34,967	-	-	34,967
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	86,354	-	-	86,354
Total assets . . . . .	<u>\$ 9,093,603</u>	<u>\$ 1,121,857</u>	<u>\$ 205,953</u>	<u>\$ 10,421,413</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 21,313	\$ 904	\$ 3,921	\$ 26,138
Accrued wages and benefits . . . . .	1,317,507	-	43,137	1,360,644
Compensated absences payable . . . . .	134,414	-	1,369	135,783
Pension obligation payable . . . . .	345,272	-	27,873	373,145
Intergovernmental payable . . . . .	29,236	-	2,059	31,295
Deferred revenue . . . . .	186,910	15,878	-	202,788
Unearned revenue . . . . .	6,022,710	511,645	-	6,534,355
Total liabilities . . . . .	<u>8,057,362</u>	<u>528,427</u>	<u>78,359</u>	<u>8,664,148</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	112,764	64,949	6,367	184,080
Reserved for materials and supplies inventory . . . . .	11,567	-	27,332	38,899
Reserved for tax revenue unavailable for appropriation . . . . .	265,707	22,572	-	288,279
Reserved for prepayments . . . . .	34,967	-	-	34,967
Reserved for school bus purchases . . . . .	86,354	-	-	86,354
Unreserved, undesignated, reported in:				
General fund . . . . .	524,882	-	-	524,882
Special revenue funds . . . . .	-	-	93,895	93,895
Capital projects funds . . . . .	-	505,909	-	505,909
Total fund balances . . . . .	<u>1,036,241</u>	<u>593,430</u>	<u>127,594</u>	<u>1,757,265</u>
Total liabilities and fund balances . . . . .	<u>\$ 9,093,603</u>	<u>\$ 1,121,857</u>	<u>\$ 205,953</u>	<u>\$ 10,421,413</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>	\$	1,757,265
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,562,195
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		202,788
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		110,559
In the statement of activities interest is accrued on outstanding notes, whereas in the governmental funds, interest expenditures are reported when due		(16,667)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$	(1,126,697)
Energy conservation notes		(298,421)
Tax anticipation notes		(1,139,915)
		(2,565,033)
<b>Total</b>		(2,565,033)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>3,051,107</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,349,961	\$ 538,156	\$ -	\$ 6,888,117
Tuition. . . . .	608,551	-	-	608,551
Charges for services. . . . .	-	-	442,444	442,444
Earnings on investments. . . . .	185,271	-	1,581	186,852
Extracurricular. . . . .	-	-	357,625	357,625
Classroom materials and fees . . . . .	83,433	-	-	83,433
Other local revenues. . . . .	35,100	-	75,409	110,509
Intergovernmental - intermediate . . . . .	136,732	-	-	136,732
Intergovernmental - state . . . . .	8,847,936	85,097	272,318	9,205,351
Intergovernmental - federal. . . . .	-	-	1,080,937	1,080,937
Total revenues. . . . .	<u>16,246,984</u>	<u>623,253</u>	<u>2,230,314</u>	<u>19,100,551</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,060,294	15,994	62,693	8,138,981
Special. . . . .	1,233,097	-	264,761	1,497,858
Vocational. . . . .	413,563	-	-	413,563
Other . . . . .	144,269	-	-	144,269
Support services:				
Pupil. . . . .	506,069	-	8,796	514,865
Instructional staff . . . . .	294,882	-	504,819	799,701
Board of education . . . . .	47,676	-	-	47,676
Administration. . . . .	1,231,353	-	84,889	1,316,242
Fiscal . . . . .	352,804	9,861	-	362,665
Business . . . . .	46,935	-	-	46,935
Operations and maintenance. . . . .	1,334,387	76,509	-	1,410,896
Pupil transportation . . . . .	896,789	128,560	-	1,025,349
Central. . . . .	411,432	-	7,606	419,038
Operation of non-instructional services:				
Food service operations . . . . .	-	-	762,890	762,890
Other non-instructional services . . . . .	-	-	200,700	200,700
Extracurricular activities. . . . .	386,356	-	337,999	724,355
Facilities acquisition and construction . . . . .	-	322,372	-	322,372
Debt service:				
Principal retirement . . . . .	-	-	289,251	289,251
Interest and fiscal charges . . . . .	-	-	88,692	88,692
Total expenditures . . . . .	<u>15,359,906</u>	<u>553,296</u>	<u>2,613,096</u>	<u>18,526,298</u>
Excess of revenues over (under) expenditures. . . . .	<u>887,078</u>	<u>69,957</u>	<u>(382,782)</u>	<u>574,253</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	377,943	377,943
Transfers out . . . . .	(58,287)	(319,656)	-	(377,943)
Total other financing sources (uses) . . . . .	<u>(58,287)</u>	<u>(319,656)</u>	<u>377,943</u>	<u>-</u>
Net change in fund balances . . . . .	828,791	(249,699)	(4,839)	574,253
<b>Fund balances at beginning of year . . . . .</b>				
	199,519	843,129	125,084	1,167,732
<b>Increase in reserve for inventory . . . . .</b>				
	7,931	-	7,349	15,280
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,036,241</u>	<u>\$ 593,430</u>	<u>\$ 127,594</u>	<u>\$ 1,757,265</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Net change in fund balances - total governmental funds</b>	\$	574,253
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.</p>		
Capital asset additions	\$ 617,381	
Current year depreciation	<u>(329,858)</u>	
Total		287,523
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal</p>		
		(31,367)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
		89,286
<p>In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, interest is expensed when due</p>		
		3,377
<p>Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.</p>		
		15,280
<p>Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		289,251
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		8,408
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities</p>		
		<u>8,131</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,244,142</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,255,618	\$ 6,503,007	\$ 6,470,693	\$ (32,314)
Tuition. . . . .	588,324	611,590	608,551	(3,039)
Earnings on investments. . . . .	179,113	186,196	185,271	(925)
Classroom materials and fees . . . . .	80,781	83,975	83,558	(417)
Other local revenues. . . . .	32,683	33,976	33,807	(169)
Intergovernmental - intermediate . . . . .	132,187	137,415	136,732	(683)
Intergovernmental - state . . . . .	8,553,845	8,892,121	8,847,936	(44,185)
Total revenues. . . . .	<u>15,822,551</u>	<u>16,448,280</u>	<u>16,366,548</u>	<u>(81,732)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,090,468	8,155,552	8,148,469	7,083
Special. . . . .	1,201,052	1,210,714	1,208,619	2,095
Vocational. . . . .	407,476	410,754	410,731	23
Other . . . . .	143,123	144,274	144,274	-
Support Services:				
Pupil. . . . .	502,785	506,830	503,070	3,760
Instructional staff . . . . .	298,791	301,195	300,729	466
Board of education . . . . .	51,403	51,817	50,024	1,793
Administration. . . . .	1,232,036	1,241,947	1,240,194	1,753
Fiscal . . . . .	351,097	353,921	352,823	1,098
Business . . . . .	46,560	46,935	46,935	-
Operations and maintenance. . . . .	1,348,572	1,359,421	1,353,600	5,821
Pupil transportation . . . . .	881,647	888,739	881,427	7,312
Central. . . . .	413,818	417,147	414,241	2,906
Extracurricular activities. . . . .	384,693	387,788	385,991	1,797
Total expenditures . . . . .	<u>15,353,521</u>	<u>15,477,034</u>	<u>15,441,127</u>	<u>35,907</u>
Excess of revenues over (under) expenditures. . . . .	<u>469,030</u>	<u>971,246</u>	<u>925,421</u>	<u>(45,825)</u>
<b>Other financing uses:</b>				
Transfers (out) . . . . .	-	(58,287)	(58,287)	-
Total other financing uses . . . . .	<u>-</u>	<u>(58,287)</u>	<u>(58,287)</u>	<u>-</u>
Net change in fund balance . . . . .	469,030	912,959	867,134	(45,825)
<b>Fund balance at beginning of year. . . . .</b>	1,528,013	1,528,013	1,528,013	-
<b>Prior year encumbrances appropriated . . . . .</b>	48,280	48,280	48,280	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,045,323</u>	<u>\$ 2,489,252</u>	<u>\$ 2,443,427</u>	<u>\$ (45,825)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 128,885
Total assets . . . . .	<u>128,885</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>18,326</u>
Total liabilities . . . . .	<u>18,326</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>110,559</u>
Total net assets . . . . .	<u><u>\$ 110,559</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 135,892
Total operating revenues . . . . .	135,892
 <b>Operating expenses:</b>	
Claims . . . . .	116,682
Administrative services. . . . .	11,079
Total operating expenses . . . . .	127,761
 Change in net assets. . . . .	8,131
 <b>Net assets at beginning of year . . . . .</b>	<b>102,428</b>
 <b>Net assets at end of year . . . . .</b>	<b>\$ 110,559</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 135,892
Cash payments for claims . . . . .	(117,530)
Cash payments for administrative services . . . . .	<u>(11,079)</u>
Net cash provided by operating activities. . . . .	<u>7,283</u>
Net increase in cash and cash equivalents . . . . .	7,283
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>121,602</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 128,885</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 8,131
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	<u>(848)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 7,283</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 29,234
	\$ 29,234
<b>Liabilities:</b>	
Deposits held and due to others. . . . .	\$ 5,572
Due to students . . . . .	23,662
Total liabilities . . . . .	\$ 29,234

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Triway Local School District (the "District") is located in Wayne and Holmes Counties. The District includes all of the Village of Shreve and portions of Prairie, Clinton, Franklin, Wooster and Plain Townships. The District also includes a portion of the City of Wooster. The District serves an area of approximately 95 square miles.

The District was organized in 1960, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 88 non-certified and 154 (including administrative) certified full-time and part-time employees to provide services to approximately 2,080 students in grades K through 12 and various community groups, which ranks it 272 out of approximately 876 public school districts and community schools in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*JOINTLY GOVERNED ORGANIZATIONS*

Midland Council of Governments

The District is a member of the Midland Council of Governments (the "COG"), which was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other 21 members are assessed annual user fees for data services, none of the members retain an ongoing financial interest in the COG.

Ashland County - West Holmes Career Center (the "Career Center")

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Career Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**PROPRIETARY FUND**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. Budgets**

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2007 is as follows:

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

1. Prior to January, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Certificates of Estimated Resources issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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 fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 basic financial statements.

During fiscal year 2007, investments were limited to investments in the 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 June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$185,271 which includes \$58,353 assigned from other District funds.

For presentation on the basic financial statements, 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.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and the consumption method on the government wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	45 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 years

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**K. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property taxes unavailable for appropriation, prepayments and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund, including claims and administrative expenses.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represent amounts restricted by State statute for school bus purchases.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount received for school bus purchases. See Note 15 for details.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Management Information System	\$ 21
Title VI-B	541
Title I	428
Drug Free Schools	1
Improving Teacher Quality	168

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

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

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

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

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



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$4,000 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$2,972,763. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$2,814,432 of the District's bank balance of \$3,214,432 was exposed to custodial risk as discussed below, while \$400,000 was covered by the Federal Deposit Insurance Corporation.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 436,517	\$ 436,517

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 436,517	100.00

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,972,763
Investments	436,517
Cash on hand	<u>4,000</u>
Total	<u>\$ 3,413,280</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,384,046
Agency funds	<u>29,234</u>
 Total	 <u>\$ 3,413,280</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 58,287
Permanent Improvement Fund	<u>319,656</u>
 Total Transfers	 <u>\$ 377,943</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the permanent improvement fund are to pay the principal and interest requirements of the tax anticipation notes.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs 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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$265,707 in the general fund and \$22,572 in the permanent improvement fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$386,439 in the general fund and \$34,125 in the permanent improvement fund.

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 214,542,110	86.97	\$ 218,527,670	88.18
Public utility personal	11,019,760	4.47	10,210,730	4.12
Tangible personal property	<u>21,134,242</u>	<u>8.56</u>	<u>19,083,420</u>	<u>7.70</u>
Total	<u>\$ 246,696,112</u>	<u>100.00</u>	<u>\$ 247,821,820</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.90		\$49.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 7,025,422
Accounts	1,293
Intergovernmental	<u>65,671</u>
Total	<u>\$ 7,092,386</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,083	\$ -	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	874,837	340,785	-	1,215,622
Buildings and improvements	6,935,899	-	-	6,935,899
Furniture and equipment	917,244	145,276	(123,741)	938,779
Vehicles	<u>1,435,567</u>	<u>131,320</u>	<u>(78,905)</u>	<u>1,487,982</u>
Total capital assets, being depreciated	<u>10,163,547</u>	<u>617,381</u>	<u>(202,646)</u>	<u>10,578,282</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(799,017)	(23,040)	-	(822,057)
Buildings and improvements	(4,322,888)	(118,057)	-	(4,440,945)
Furniture and equipment	(664,240)	(110,046)	92,374	(681,912)
Vehicles	<u>(1,146,446)</u>	<u>(78,715)</u>	<u>78,905</u>	<u>(1,146,256)</u>
Total accumulated depreciation	<u>(6,932,591)</u>	<u>(329,858)</u>	<u>171,279</u>	<u>(7,091,170)</u>
Governmental activities capital assets, net	<u>\$ 3,306,039</u>	<u>\$ 287,523</u>	<u>\$ (31,367)</u>	<u>\$ 3,562,195</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 110,495
Vocational	290

Support Services:

Administration	72,017
Fiscal	1,819
Operations and Maintenance	24,987
Pupil Transportation	81,132
Central	3,915
Extracurricular Activities	23,168
Food Service Operation	<u>12,035</u>
Total depreciation expense	<u>\$ 329,858</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Tax anticipation notes	\$ 1,387,538	\$ -	\$ (247,623)	\$ 1,139,915	\$ 261,738
Energy conservation notes	340,049	-	(41,628)	298,421	43,718
Compensated absences	<u>1,301,581</u>	<u>161,414</u>	<u>(200,515)</u>	<u>1,262,480</u>	<u>178,040</u>
Total long-term obligations, governmental activities	<u>\$ 3,029,168</u>	<u>\$ 161,414</u>	<u>\$ (489,766)</u>	<u>\$ 2,700,816</u>	<u>\$ 483,496</u>

*Compensated absences* – Compensated absences will be paid from the fund from which the employee is paid, which for the District is the general fund and the food service fund (a nonmajor governmental fund).

- B. The District issued energy conservation notes during fiscal year 1992 with an interest rate of 6.05% and a maturity date of May 18, 2013. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes as expenditures in the Debt Service fund (a nonmajor governmental fund); however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes:

Year Ending <u>June 30</u>	Energy <u>Conservation Notes</u>
2008	\$ 58,287
2009	58,287
2010	58,288
2011	58,287
2012	58,288
2013	<u>58,287</u>
Total	349,724
Less: interest	<u>(51,303)</u>
Total principal	<u>\$ 298,421</u>

- C. During fiscal 2001, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mill levy for permanent improvements. The notes have an interest rate of 5.7% and mature on July 12, 2010. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes will be made from the Debt Service fund (a nonmajor governmental fund).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes:

<u>Year Ending June 30</u>	<u>Tax Anticipation Notes</u>
2008	\$ 319,254
2009	318,828
2010	318,379
2011	<u>317,904</u>
Total	1,274,365
Less: interest	<u>(134,450)</u>
Total principal	<u>\$ 1,139,915</u>

**D. Legal Debt Margin**

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$19,340,877, an unvoted debt margin of \$227,564, and an unvoted energy conservation debt margin of \$1,749,658.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive, Employee Health and Dental Self-Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for dental benefits offered to employees. Under this program, the Self Insurance fund provides coverage for each claim, capped at \$150,000 annually for all claims. The plan is administered by Mutual Health Services, Inc. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss, including health, life, fleet, property and casualty, and district-wide liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in the amounts of insurance coverage from fiscal year 2006.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT - (Continued)**

All funds of the District participate in the program and make payments to the Self Insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). For fiscal year 2007, the District paid into the Self Insurance fund a monthly premium of \$19.27 for single coverage, and \$64.28 for family coverage. The District's independent third-party administrator has actuarially determined that \$18,326 is a good and sufficient provision for all unmatured claim obligations (including both reported, but unpaid claims, and incurred, but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 2007.

The claims liability of \$18,326 reported in the fund at June 30, 2007, is based on the provisions of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2007	\$ 19,174	\$ 116,682	\$ (117,530)	\$ 18,326
2006	19,089	131,389	(131,304)	19,174

The District retains all reserves, in anticipation of future claims. For the fiscal year 2007 plan year, the District's reserves amounted to over \$121,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

**B. Workers' Compensation**

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - 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 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

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 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$211,687, \$211,000, and \$204,858; 50.68 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$104,405 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System of Ohio**

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, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - PENSION PLANS - (Continued)**

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

For the fiscal year ended June 30, 2007, 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 years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,043,906, \$1,013,438 and \$1,024,212; 82.76 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$179,994 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$7,150 made by the District and \$20,911 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$80,300 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)**

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

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$102,286 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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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, cash disbursements and encumbrances.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 867,134
Net adjustment for revenue accruals	(119,564)
Net adjustment for expenditure accruals	(45,801)
Adjustment for encumbrances	<u>127,022</u>
GAAP basis	<u>\$ 828,791</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$37,163 per year. A portion of the refund may be recovered from additional State entitlement payments.

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

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2006	\$ (405,856)	\$ (3,884,239)
Current year set-aside requirement	299,676	299,676
Qualifying disbursements	<u>(370,271)</u>	<u>(549,450)</u>
Total	<u>\$ (476,451)</u>	<u>\$ (4,134,013)</u>
Balance carried forward FY 2008	<u>\$ (476,451)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks and capital acquisition reserves. However, only the extra amounts in textbooks/instructional materials may be used to reduce the set-aside requirement for future years.

The District received monies restricted for school bus purchases. The amount of \$86,354 for school bus reserves is in the general fund on the balance sheet at June 30, 2007.

A schedule of the general fund restricted assets at June 30, 2007 follows:

Amount restricted for bus purchase allowance	<u>\$ 86,354</u>
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Triway Local School District  
Wayne County  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2007

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
Pass through Ohio Department of Development			
Nutrition Cluster:			
National School Lunch Program	10.555	\$ 196,160	\$ 196,160
Breakfast Program	10.553	26,081	26,081
<b>Total Nutrition Cluster</b>		222,241	222,241
Food Distribution	10.550	126,731	126,731
<b>Total U.S. Department of Agriculture</b>		348,972	348,972
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education			
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - Targeted Asst. FY 07	84.010	28,917	28,917
Title I - Targeted Asst. FY 06	84.010	167,596	167,596
<b>Total Title I - Grants to Local Education Agencies</b>		196,513	196,513
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B - FY 07	84.027	497,163	497,163
Title VI - B - FY 06	84.027	-	60
<b>Total Title VI - B</b>		497,163	497,223
Drug - Free School Grant			
Drug - Free School Grant - FY07	84.186	6,156	6,156
Drug - Free School Grant - FY06	84.186	-	590
<b>Total Drug - Free School Grant</b>		6,156	6,746
Title V - FY07	84.298	2,856	2,856
Title II-D Technology - FY07	84.318	1,744	1,744
Title II-A - Improv. Teacher Quality - FY07	84.367	72,443	72,443
<b>Total U.S. Department of Education</b>		776,875	777,525
<b>Total Federal Expenditures</b>		<u>\$ 1,125,847</u>	<u>\$ 1,126,497</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**TRIWAY LOCAL SCHOOL DISTRICT**  
**Wayne County, Ohio**  
**Notes to the Federal Awards Expenditure Schedule**  
**For the Year Ended June 30, 2007**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007, the District had immaterial food commodities in inventory.



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2007. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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, grant agreements and other matters, 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*.

This report is intended for the information and use of management, the Board of Education, the audit committee, 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.

***Charles E. Harris & Associates, Inc.***

December 13, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

Compliance

We have audited the compliance of the Triway Local School District, Wayne County (District), with the types of compliance requirements described in *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, 2007. The District's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe 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, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

## 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, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the Board of Education, the audit committee, 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.

***Charles E. Harris & Associates, Inc.***

December 13, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
June 30, 2007**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - Grants to States 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**June 30, 2007**

**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.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2007**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2006, reported no material citations or recommendations.







**Mary Taylor, CPA**  
Auditor of State

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE 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**  
**JANUARY 22, 2008**