



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended June 30, 2011	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended June 30, 2011	4
Notes to the Financial Statements	5
Federal Awards Receipts and Expenditures Schedule.....	21
Notes to the Federal Awards Receipts and Expenditures Schedule	22
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	25
Schedule of Findings	27
Schedule of Prior Audit Findings	30
Independent Accountants' Report on Applying Agreed Upon Procedure	31

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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 Triway Local School District, Wayne County, Ohio (the District) as of and for the year ended June 30, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Triway Local School District as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with

Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the 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 financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditures Schedule.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 10, 2012

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
CASH RECEIPTS:					
Property and Other Local Taxes	\$5,941,015			\$511,192	\$6,452,207
Intergovernmental	8,774,643	\$1,927,612		149,766	10,852,021
Interest	4,549				4,549
Tuition and Fees	676,274				676,274
Rent	749				749
Extracurricular Activities		257,014			257,014
Gifts and Donations		5,900			5,900
Miscellaneous	32,093	71,891			103,984
<i>Total Cash Receipts</i>	<u>15,429,323</u>	<u>2,262,417</u>		<u>660,958</u>	<u>18,352,698</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	7,940,248	997,837		18,156	8,956,241
Special	1,549,369	437,009			1,986,378
Vocational	383,389				383,389
Other	47,236	3,000			50,236
Support Services:					
Pupils	618,151				618,151
Instructional Staff	380,896	375,174			756,070
Board of Education	35,896				35,896
Administration	1,416,458	81,484			1,497,942
Fiscal	367,111			10,647	377,758
Business	41,394				41,394
Operation and Maintenance of Plant	1,454,446			74,030	1,528,476
Pupil Transportation	965,344				965,344
Central	225,550	5,000		87,193	317,743
Operation of Non-Instructional Services:					
Community Services		120,000			120,000
Extracurricular Activities:					
Academic Oriented Activities	94,846	37,780			132,626
Sport Oriented Activities	262,095	205,464			467,559
School and Public Service Co-Curricular Activities		28,426			28,426
Capital Outlay:					
Site Improvement Services				45,574	45,574
Architecture and Engineering Services				42,069	42,069
Building Improvement Services				235,389	235,389
Debt Service:					
Principal Payments			\$359,911		359,911
Interest and Fiscal Charges			15,480		15,480
<i>Total Cash Disbursements</i>	<u>15,782,429</u>	<u>2,291,174</u>	<u>375,391</u>	<u>513,058</u>	<u>18,962,052</u>
<i>Total Cash Receipts Over/(Under) Cash Disbursements</i>	<u>(353,106)</u>	<u>(28,757)</u>	<u>(375,391)</u>	<u>147,900</u>	<u>(609,354)</u>
Transfers In					
Tax Anticipation Note Proceeds			375,391		375,391
Refund of Prior Year Expenditures	25,549			2,700,000	2,700,000
Transfers Out	(58,287)			(317,103)	(375,390)
<i>Total Other Financing Sources and (Uses)</i>	<u>(32,738)</u>	<u>0</u>	<u>375,391</u>	<u>2,382,897</u>	<u>2,725,550</u>
<i>Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses</i>					
	(385,844)	(28,757)	0	2,530,797	2,116,196
<i>Fund Cash Balance, July 1, 2010</i>	<u>2,168,803</u>	<u>140,795</u>	<u>0</u>	<u>487,304</u>	<u>2,796,902</u>
<i>Fund Cash Balance at June 30, 2011</i>	<u>\$1,782,959</u>	<u>\$112,038</u>	<u>\$0</u>	<u>\$3,018,101</u>	<u>4,913,098</u>
<i>Reserve for Encumbrances at June 30, 2011</i>	<u>\$37,042</u>	<u>\$17,121</u>	<u>\$0</u>	<u>\$436,543</u>	<u>490,706</u>

See Accompanying Notes to the Financial Statements

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:				
Sales	\$383,259			\$383,259
Charges for Services		\$22,459		22,459
Extracurricular			\$78,794	78,794
Gifts and Donations			4,789	4,789
Miscellaneous			62,905	62,905
<i>Total Operating Cash Receipts</i>	<u>383,259</u>	<u>22,459</u>	<u>146,488</u>	<u>552,206</u>
OPERATING CASH DISBURSEMENTS:				
Salaries	276,652			276,652
Fringe Benefits	137,592	5,666		143,258
Purchased Services	45,944	96,764		142,708
Materials and Supplies	251,688			251,688
Other			146,608	146,608
<i>Total Operating Cash Disbursements</i>	<u>711,876</u>	<u>102,430</u>	<u>146,608</u>	<u>960,914</u>
NON-OPERATING CASH RECEIPTS:				
Interest	49			49
Federal and State Subsidies	331,612			331,612
<i>Total Non-Operating Cash Receipts</i>	<u>331,661</u>	<u>0</u>	<u>0</u>	<u>331,661</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	3,044	(79,971)	(120)	(77,047)
<i>Fund Cash Balance, July 1, 2010</i>	<u>78,998</u>	<u>81,359</u>	<u>46,820</u>	<u>207,177</u>
<i>Fund Cash Balance, June 30, 2011</i>	<u><u>\$82,042</u></u>	<u><u>\$1,388</u></u>	<u><u>\$46,700</u></u>	<u><u>\$130,130</u></u>
<i>Reserve for Encumbrances, June 30, 2011</i>	<u><u>\$60</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$60</u></u>

See Accompanying Notes to the Financial Statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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 three elementary schools, one middle school, and one comprehensive high school. The District employs 91 non-certified and 146 certified full-time and part-time employees to provide services to approximately 1,944 students in grades K through 12 and various community groups.

B. Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

Governmental Funds

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue

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

Debt Service

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

Bond Retirement Fund - This fund retires the general obligation debt of the District.

Capital Projects

Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The District had the following significant Capital Projects Fund:

Permanent Improvement Fund - This fund expends funds for continuous capital improvements within the District.

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 governmental units, on a cost-reimbursement basis. The District had the following significant Internal Service Fund:

Employee Benefits Self-Insurance Fund - This fund accounts for monies to pay claims for employees under the District's self-insurance plan.

Enterprise Fund

These funds are used to account for operations that are similar to private business enterprises where management intends that significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Fund:

Food Service Fund - This fund assists the District in administering food services that provide healthful, nutritious meals to eligible children.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Funds

Agency Funds are used to account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds. The District had the following significant Agency Fund:

Student Activities Fund-This fund accounts for student activity programs which have student participation in the activity and have students involved in the management of the program.

E. Budgetary Process

1. Budget

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, certificate of estimated resources and the appropriation resolutions, which are prepared on a budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control has been established by the Board of Education at the fund level of expenditures for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

2. Appropriations

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications.

3. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

3. Estimated Resources

On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2011 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. Total Columns on the Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. During the fiscal year, all investments were limited the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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, 2011.

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.

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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. 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,

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.

Cash on Hand – Change fund of \$3,700 is included on the financial statements as part of fund cash balances.

Deposits – The carrying amounts of the District's deposits were as follows:

	<u>2011</u>
Demand Deposits	\$562,444

The bank balance was \$575,615 of June 30, 2011. As of June 30, 2011, \$303,495, of the bank balance was covered by federal depository insurance and \$272,120 was uncollateralized and uninsured.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments – As of June 30, 2011, the District had the following investments:

	2011
Savings Accounts	\$4,016,266
Star Ohio	460,818
	\$4,477,084

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2011 is as follows:

	Budgeted Receipts	Actual Receipts	Variance
General	\$17,340,863	\$15,454,872	(\$1,885,991)
Special Revenue	2,589,303	2,262,417	(326,886)
Debt Service	375,391	375,391	-
Capital Projects	3,753,035	3,360,958	(392,077)
Internal Service	104,359	22,459	(81,900)
Enterprise	828,998	714,920	(114,078)

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,711,285	\$15,877,758	\$833,527
Special Revenue	2,397,778	2,308,295	89,483
Debt Service	375,391	375,391	-
Capital Projects	1,280,703	1,266,704	13,999
Internal Service	102,435	102,432	3
Enterprise	712,044	711,936	108

NOTE 4 – 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 located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 – PROPERTY TAXES (continued)

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar 2011 became a lien on December 31, 2009, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax received in the District's fiscal year ended June 30, 2011 (other than public utility) generally represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the values listed as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The Wayne and Holmes County Treasurers collect property taxes on behalf of the District. The Wayne and Holmes County Auditors remit the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2011 was \$49.50 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2011 taxes were collected were as follows:

<u>Wayne County</u>	<u>2010</u>	<u>2009</u>
Real Property		
Residential/Agricultural	\$205,607,250	\$204,626,430
Commerical/Industrial/Public Utilities	30,071,190	30,024,390
Tangible Personal Property		
PUCO Personal	10,617,920	10,541,510
Telephone PP	<u>246,480</u>	<u>401,039</u>
Total Valuation	<u>\$246,542,840</u>	<u>\$245,593,369</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 – PROPERTY TAXES (continued)

Holmes County	2010	2009
Real Property		
Residential/Agricultural	\$2,569,890	\$2,419,450
Commerical/Industrial/Public Utilities	182,170	175,750
Tangible Personal Property		
PUCO Personal	11,590	5,690
Telephone PP	-	-
Total Valuation	<u>\$2,763,650</u>	<u>\$2,600,890</u>

NOTE 5 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were \$267,477, \$264,806 and \$191,801, respectively; which equaled the required contribution each year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - PENSION PLANS (continued)

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,203,609, \$1,103,507 and \$1,108,421, respectively; 100 percent has been contributed for all fiscal years.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011 and 2010 were \$62,263 and \$69,263, respectively; 100 percent has been contributed for fiscal both fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - POSTEMPLOYMENT BENEFITS (continued)

B State Teachers Retirement System of Ohio (continued)

The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The District's contributions for health care for the fiscal years ended June 30, 2011 and 2010 were \$85,972 and \$84,885, respectively; 100 percent had been contributed for fiscal years 2011 and 2010.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>
2001 Tax anticipation notes	\$309,095	-	(\$309,095)	\$0
2011 Tax anticipation notes	-	\$2,700,000	-	2,700,000
Energy conservation notes	<u>160,365</u>	<u>-</u>	<u>(50,816)</u>	<u>109,549</u>
 Total long-term obligations	 <u>\$469,460</u>	 <u>\$2,700,000</u>	 <u>(\$359,911)</u>	 <u>\$2,809,549</u>

During fiscal 2001, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mil levy for permanent improvements. The notes have an interest rate of 5.7% and matured on November 1, 2010. The remaining balance was paid with the 2011 Tax anticipation notes.

During fiscal 2011, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mil levy for permanent improvements. The notes have an interest rate of 3.24% and mature on December 1, 2020. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (continued)

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

Fiscal Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2012	\$160,000	\$99,711	\$259,711
2013	250,000	78,246	328,246
2014	255,000	70,065	325,065
2015	265,000	61,641	326,641
2016	270,000	52,974	322,974
2017	280,000	44,064	324,064
2018	290,000	34,830	324,830
2019	300,000	25,272	325,272
2020	310,000	15,390	325,390
2021	320,000	5,184	325,184
	<u>\$2,700,000</u>	<u>\$487,377</u>	<u>\$3,187,377</u>

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. 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 general revenues.

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

Year Ending June 30,	Energy conservation notes
2012	\$58,288
2013	<u>58,287</u>
Total	116,575
Less: interest	<u>(7,026)</u>
Total principal	<u>\$109,549</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8 - SET ASIDES

The District is required by State statute to annually set aside monies for purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts were only used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2010	(\$530,073)	\$ -
Current year set-aside requirement	289,545	289,545
Current year off-sets		(511,192)
Qualifying disbursements		
Total	<u>(\$240,528)</u>	<u>(\$221,647)</u>
Balance carried forward fiscal year 2011	<u>(\$240,528)</u>	<u>\$0</u>

Effective July 1, 2011 the textbook set aside is not longer required and has been removed from existing law.

The District received monies restricted for school bus purchases. The amount of \$699 for school bus reserves is in the General Fund at June 30, 2011.

NOTE 9 - FUND TRANSFERS

During the fiscal year 2011, the District transferred out from the General Fund \$58,287 to the Bond Retirement Fund – Debt Service Fund to pay the Energy Conservation note. Also, the District transferred \$317,103 from the Permanent Improvement Fund – Capital Projects Funds to the Bond Retirement Fund – Debt Service Fund to pay the tax anticipation notes. The applicable Ohio Revised Code compliance requirements were met.

NOTE 10 - JOINTLY GOVERNED ORGANIZATION

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - JOINTLY GOVERNED ORGANIZATION (continued)

The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located.

Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which is the fiscal agent, located at 741 Winkler Drive, Wooster, OH 44691. During the year ended June 30, 2011, the District paid approximately \$101,920 to TCCSA.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with the Ohio School Plan. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with the Ohio School Plan and have a \$1,000 deductible for buses and a \$500 for all other vehicles. All board members, administrators and employees are covered under a school district liability policy with Ohio School Plan. The limits of coverage are \$4,000,000 per occurrence and \$6,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Treasurer has a \$100,000 surety bond with the Cincinnati Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. The rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

NOTE 12 - GROUP PURCHASING POOL

Medical/Surgical and dental insurance was offered to employees through private carriers from July 1, 2010 through September 30, 2010. On October 1, 2010, the District joined the Wyandot-Crawford Health Benefit Plan (WCHBP), a public entity risk pool currently operating as a common risk management and insurance program. The WCHBP now includes seven school districts. The District pays monthly premiums to the pool for its insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$125,000 for each insured event.

The District's portion of the reserve balance at the time of membership was \$637,843.10. Twenty-five percent (\$159,460.77) was paid up-front and \$13,288.40 is being contributed monthly for 36 months.

Each District decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums. Financial information can be obtained from Medical Mutual, P.O. Box 943, Toledo, OH 43656.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

NOTE 14 - COMPLIANCE

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

NOTE 15 – RELATED PARTY TRANSACTION

The District has as an apparent conflict of interest between the Athletic Director, Sean Carmichael, and Blaine Carmichael Sports, of which he is 50% owner. A legal opinion received by the District on this matter determined the Athletic Director has no influence in the purchase process of athletic equipment from Blaine Carmichael Sports, thus the District could continue to do business with them. The District paid \$80,408 to Blaine Carmichael Sports during fiscal year 2011.

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>(Passed Through Ohio Department of Education)</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	\$196,019		196,168	
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>109,070</u>		<u>109,070</u>	
Total Title I, Part A Cluster		305,089		305,238	
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B)	84.027	423,388		428,729	
ARRA - Special Education-Grants to States (IDEA, Part B)	84.391	<u>20,289</u>		<u>20,289</u>	
Total Special Education Cluster		443,677		449,018	
Safe and Drug Free Schools and Communities State Grant	84.186			1,980	
Education Technology State Grants	84.318	1,038		1,038	
Improving Teacher Quality State Grants	84.367	60,888		60,888	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	569,329		569,329	
Education Jobs Fund	84.410	401,214		401,214	
Total U.S. Department of Education		<u>1,781,235</u>		<u>1,788,705</u>	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$114,620		\$114,620
Cash Assistance:					
National School Lunch Program	10.555	283,133		283,133	
School Breakfast Program	10.553	<u>40,724</u>		<u>40,724</u>	
Total Child Nutrition Cluster		<u>323,857</u>	<u>114,620</u>	<u>323,857</u>	<u>114,620</u>
Total U.S. Department of Agriculture		<u>323,857</u>	<u>114,620</u>	<u>323,857</u>	<u>114,620</u>
Total		<u>\$2,105,092</u>	<u>\$114,620</u>	<u>\$2,112,562</u>	<u>\$114,620</u>

The accompanying notes are an integral part of this schedule.

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Triway Local School District's (the District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Triway Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 10, 2012, wherein we noted the District followed accounting practices the Auditor of State prescribes for entities not required to follow accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed

an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 10, 2012.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 Triway Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Triway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings as item 2011-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 10, 2012

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster – CFDA #10.553 and 10.555 Title I, Part A Cluster – CFDA #84.010 and 84.389 ARRA – State Fiscal Stabilization Fund – CFDA #84.394 Education Jobs – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

NONCOMPLIANCE

OHIO ADMINISTRATIVE CODE 117-2-03 (B) and OHIO REVISED CODE 117.38

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Further, Ohio Revised Code Section 117.38 requires the District publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The District did not prepare its annual financial report in accordance GAAP. The District prepared its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Additionally, the District did not publish notice its annual financial report was complete and available for public inspection.

We recommend the School District prepare its financial statements in accordance with generally accepted accounting principles and publish notice in the local newspaper stating the District's financial report is available for public inspection.

Official's Response: The notice announcing the financial reports are ready to review is posted annually on the school's website. Before transitioning to the new CMS system, the pervious website would retain the information until I deleted it. With the new system, content pages, where the notice is placed, are automatically deleted after a set number of days. I will try to remember to take a screen snapshot of the notice for next year's audit.

Continuing discussions at the state level regarding the usefulness of GAAP have not determined its advantages. It is just a matter of time before GAAP is abandoned for lack of purpose.

3. FINDING FOR FEDERAL AWARDS

SIGNIFICANT DEFICIENCY

Finding Number	2011-002
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act CFDA# 84.394
Federal Award Number / Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

SFSF CONTROL FAILURE

Testing of SFSF controls revealed 1 out of 4 (25%) expenditures tested did not have adequate controls over the expenditure process. The control failure occurred with a memo expenditure charged to the SFSF Fund (532) by the Treasurer at the end of December to reimburse the General Fund for expenditures incurred during the first half of fiscal year 2011. There was no review or approval of the adjustment made by the Treasurer to ensure the amount of the adjustment was accurate and an allowable charge to the SFSF grant fund.

The District should have the Superintendent initial or sign the memo expenditures posted to the SFSF Fund by the Treasurer as an indication of his review, noting the expenditure amount is both accurate and allowable.

Official's Response / Corrective Action Plan: All adjustments made to Fund 532 were based upon the August 2009 Special Edition of the Ohio Department of Education School Finance E-Newsletter Special ARRA (Stimulus) Edition. The article titled State Fiscal Stabilization Funds – Allowable Uses listed the approved expenses as well as the prohibited ones. Future adjustments to Fund 532 will be carefully scrutinized by the Treasurer and forwarded to the Superintendent for final approval.

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-TLSD-01	Ohio Administrative Code 117-2-03(B) – The District did not prepare financial statements in accordance with GAAP.	No	Not Corrected – See Finding 2011-001



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Triway Local School District, Wayne County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 10, 2012

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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
MARCH 8, 2012