

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

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2001***

**SUE A. KRUSE, TREASURER**





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Triway Local School District, Wayne County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO  
Auditor of State

January 17, 2002

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/(Deficit) - All Governmental Fund Types and Expendable Trust Fund .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types .....	5
Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types .....	6
Statement of Cash Flows - All Proprietary Fund Types .....	7
Notes to the General Purpose Financial Statements .....	8 - 42
Supplemental Data Schedule of Expenditures of Federal Awards .....	43
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	44 - 45
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	46 - 47
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	48 - 49

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# TRIMBLE, JULIAN & GRUBE, INC.

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## Independent Auditor's Report

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

We have audited the accompanying general purpose financial statements of the Triway Local School District, Wayne County, (the "District"), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Triway Local School District, Wayne County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.  
November 16, 2001

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long-Term Obligations		
										General	
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash, and cash equivalents . . . . .	\$1,754,265	\$146,064	\$1,763,533	\$165,354	\$184,075	\$28,914					\$4,042,205
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent . . . . .	5,581,263		694,335	31	18,971	237					6,275,598
Accounts . . . . .	56,698	385		330							76,322
Due from other governments . . . . .											330
Prepayments . . . . .	13,128										13,128
Materials and supplies inventory . . . . .	19,233			29,918							49,151
<b>Restricted assets:</b>											
Equity in pooled cash and cash equivalents. . . . .	66,484										66,484
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .				72,436					\$9,835,953		9,908,389
<b>OTHER DEBITS:</b>											
Amount to be provided for retirement of General Long-Term Obligations. . . . .										\$1,536,907	1,536,907
Total assets and other debits . . . . .	\$7,491,071	\$146,449	\$2,457,868	\$268,069	\$203,046	\$29,151			\$9,835,953	\$1,536,907	\$21,968,514

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	General	Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable . . . . .	\$13,185	\$753									\$13,938
Accrued wages and benefits . . . . .	1,182,979	34,346		\$23,545					\$891,026		1,240,870
Compensated absences payable . . . . .	9,299			7,381							907,706
Contracts payable . . . . .		\$50,917		21,185					89,804		50,917
Pension obligation payable . . . . .	207,362				\$22,105						318,351
Claims payable . . . . .				22,252			\$21,345				22,105
Deferred revenue . . . . .	4,835,698						6,719				5,465,163
Due to students . . . . .											21,345
Deposits held and due to others . . . . .											6,719
Tax anticipation notes payable . . . . .			2,400,000								2,400,000
Energy conservation bonds payable . . . . .										556,077	556,077
<b>Total liabilities . . . . .</b>	<b>6,248,523</b>	<b>35,099</b>	<b>3,058,130</b>	<b>74,363</b>	<b>22,105</b>	<b>28,064</b>	<b>1,536,907</b>	<b>9,835,953</b>	<b>374,647</b>	<b>11,003,191</b>	<b>11,003,191</b>
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets . . . . .											9,835,953
Retained earnings: unreserved . . . . .				193,706	180,941						374,647
Fund balances:											
Reserved for encumbrances . . . . .	42,413	17,074	881,674								941,161
Reserved for supplies inventory . . . . .	19,233										19,233
Reserved for prepayments . . . . .	13,128										13,128
Reserved for tax revenue unavailable for appropriation . . . . .	745,565		87,122								832,687
Reserved for BWC refunds . . . . .	66,484										66,484
Designated for budget stabilization . . . . .	433,563										433,563
Unreserved-undesignated . . . . .	(77,838)	94,276	(1,569,058)			1,087					(1,551,533)
<b>Total equity (deficit) and other credits . . . . .</b>	<b>1,242,548</b>	<b>111,350</b>	<b>(600,262)</b>	<b>193,706</b>	<b>180,941</b>	<b>1,087</b>	<b>9,835,953</b>	<b>374,647</b>	<b>11,003,191</b>	<b>10,965,323</b>	<b>10,965,323</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$7,491,071</b>	<b>\$146,449</b>	<b>\$2,457,868</b>	<b>\$268,069</b>	<b>\$203,046</b>	<b>\$29,151</b>	<b>\$9,835,953</b>	<b>\$1,536,907</b>	<b>\$21,968,514</b>	<b>\$21,968,514</b>	<b>\$21,968,514</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES (DEFICIT)  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$5,609,378			\$427,732		\$6,037,110
Tuition . . . . .	22,758					\$22,758
Earnings on investments . . . . .	167,260			135,275		302,535
Other local revenues . . . . .	144,034	\$342,222			\$1,087	487,343
Other revenue . . . . .	103,581					103,581
Intergovernmental - State . . . . .	7,892,980	238,393		60,097		8,191,470
Intergovernmental - Federal . . . . .		462,845				462,845
<b>Total revenues . . . . .</b>	<b>13,939,991</b>	<b>1,043,460</b>		<b>623,104</b>	<b>1,087</b>	<b>15,607,642</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular . . . . .	6,477,782	71,976		56,633		6,606,391
Special . . . . .	1,094,956	251,650				1,346,606
Vocational . . . . .	343,745					343,745
Other . . . . .	149,996					149,996
<b>Support services:</b>						
Pupil . . . . .	512,076	24,990				537,066
Instructional staff . . . . .	287,218	146,360				433,578
Board of Education . . . . .	101,581					101,581
Administration . . . . .	1,079,056	64,683				1,143,739
Fiscal . . . . .	266,720			6,045		272,765
Business . . . . .	68,430					68,430
Operations and maintenance . . . . .	1,068,036					1,068,036
Pupil transportation . . . . .	904,257					904,257
Central . . . . .	272,064	9,681				281,745
Community services . . . . .		201,981				201,981
Extracurricular activities . . . . .	287,551	275,832				563,383
Facilities services . . . . .				1,514,573		1,514,573
<b>Debt service:</b>						
Principal retirement . . . . .			\$67,283			67,283
Interest and fiscal charges . . . . .			143,003			143,003
<b>Total expenditures . . . . .</b>	<b>12,913,468</b>	<b>1,047,153</b>	<b>210,286</b>	<b>1,577,251</b>		<b>15,748,158</b>
Excess (deficiency) of revenues over expenditures . . . . .	1,026,523	(3,693)	(210,286)	(954,147)	1,087	(140,516)
<b>Other financing sources (uses):</b>						
Operating transfers in . . . . .		10,000	210,286			220,286
Operating transfers out . . . . .	(108,566)			(111,720)		(220,286)
Proceeds from sale of assets . . . . .	2,374					2,374
<b>Total other financing sources (uses) . . . . .</b>	<b>(106,192)</b>	<b>10,000</b>	<b>210,286</b>	<b>(111,720)</b>		<b>2,374</b>
Excess of revenues and other financing sources over expenditures and other financing (uses) . . . . .	920,331	6,307	0	(1,065,867)	1,087	(138,142)
Fund balance, July 1 . . . . .	314,896	105,043	0	465,605	0	885,544
Increase in reserve for inventory . . . . .	7,321					7,321
<b>Fund balance (Deficit), June 30 . . . . .</b>	<b>\$1,242,548</b>	<b>\$111,350</b>	<b>\$0</b>	<b>(\$600,262)</b>	<b>\$1,087</b>	<b>\$754,723</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General				Special Revenue				Debt Service				Capital Projects				Total (Memorandum only)	
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	
<b>Revenues:</b>																		
From local sources:																		
Taxes.....	\$4,903,873	\$4,945,540	\$41,667															
Tuition.....	23,400	22,758	(642)															
Earnings on investments.....	150,000	167,260	17,260															
Other local revenues.....	97,800	102,578	4,778															
Other revenue.....	141,000	99,188	(41,812)															
Intergovernmental - State.....	7,816,940	7,895,156	78,216															
Intergovernmental - Federal.....				471,082	462,842	(8,240)												
Total revenues.....	13,133,013	13,232,480	99,467	1,053,330	1,043,137	(10,193)												
<b>Expenditures:</b>																		
Current:																		
Instruction:																		
Regular.....	6,028,872	6,420,314	208,558	93,220	74,718	18,502												
Special.....	1,187,789	1,102,099	85,690	276,894	264,484	12,410												
Vocational.....	352,877	347,550	5,327															
Other.....	159,009	159,009	0															
Support services:																		
Pupil.....	518,695	503,853	14,842	32,784	27,213	5,571												
Instructional staff.....	336,588	280,580	56,008	151,027	135,962	15,065												
Board of Education.....	103,274	102,577	697															
Administration.....	1,121,627	1,098,511	23,116	67,158	67,158	0												
Fiscal.....	276,040	267,450	8,610															
Business.....	77,086	66,996	10,090															
Operations and maintenance.....	1,113,508	1,077,614	35,894															
Pupil transportation.....	947,502	931,320	16,182															
Central.....	308,633	270,877	37,756	11,000	10,744	256												
Community services.....				201,981	201,981	0												
Extracurricular activities.....	285,394	280,721	4,673	297,057	287,323	9,734												
Facilities services.....																		
Debt service:																		
Principal retirement.....				\$67,283	\$67,283	\$0												
Interest and fiscal charges.....				143,003	143,003	0												
Total expenditures.....	13,416,894	12,909,451	507,443	1,131,121	1,069,583	61,538												
Excess (deficiency) of revenues over expenditures.....	(283,881)	323,029	606,910	(77,791)	(26,446)	51,345												
Other financing sources (uses):																		
Refund of prior year's expenditures.....																		
Operating transfers in.....	40,460	40,590	130															
Operating transfers (out).....	(108,566)	(108,566)	0	10,000	10,000	0												
Proceeds of notes.....																		
Proceeds of sale of fixed assets.....	2,440	2,374	(66)															
Total other financing sources (uses).....	(65,666)	(65,602)	64	10,000	10,000	0												
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses).....	(349,547)	257,427	606,974	(67,791)	(16,446)	51,345												
Fund balances, July 1.....	1,416,137	1,416,137	0	126,865	126,865	0												
Prior year encumbrances appropriated.....	96,100	96,100	0	20,059	20,059	0												
Fund balances, June 30.....	\$1,162,690	\$1,769,664	\$606,974	\$79,133	\$130,478	\$51,345	\$0	\$0	\$0	\$0	\$0	\$0	\$1,085,508	\$830,942	\$2,327,331	\$2,731,084	\$403,753	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services . . . . .	\$462,380	\$139,787	\$602,167
Other revenues . . . . .		1,072	\$1,072
 Total operating revenues. . . . .	<u>462,380</u>	<u>140,859</u>	<u>603,239</u>
Operating expenses:			
Personal services . . . . .	277,727		277,727
Contract services . . . . .	50,587	3,719	54,306
Materials and supplies. . . . .	322,640		322,640
Depreciation. . . . .	2,697		2,697
Claims expense . . . . .		127,562	127,562
 Total operating expenses . . . . .	<u>653,651</u>	<u>131,281</u>	<u>784,932</u>
Operating income (loss) . . . . .	<u>(191,271)</u>	<u>9,578</u>	<u>(181,693)</u>
Nonoperating revenues:			
Operating grants . . . . .	157,986		157,986
Federal commodities . . . . .	69,635		69,635
Investment earnings . . . . .	4,061		4,061
 Total nonoperating revenues . . . . .	<u>231,682</u>		<u>231,682</u>
Net income . . . . .	40,411	9,578	49,989
Retained earnings July 1. . . . .	153,295	171,363	324,658
Retained earnings June 30. . . . .	<u>\$193,706</u>	<u>\$180,941</u>	<u>\$374,647</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TRIWAY LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges . . . . .	\$462,410	\$139,644	\$602,054
Cash payments for personal services. . . . .	(292,273)	(7,988)	(300,261)
Cash payments for contract services . . . . .	(50,587)		(50,587)
Cash payments for supplies and materials . . . . .	(253,464)		(253,464)
Cash payments for claims expenses . . . . .		(117,012)	(117,012)
Net cash provided by (used in) operating activities. . . . .	<u>(133,914)</u>	<u>14,644</u>	<u>(119,270)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants. . . . .	<u>158,313</u>		<u>158,313</u>
Net cash provided by noncapital financing activities. . . . .	<u>158,313</u>		<u>158,313</u>
Cash flows from investing activities:			
Interest received. . . . .	<u>4,061</u>		<u>4,061</u>
Net cash provided by investing activities. . . . .	<u>4,061</u>		<u>4,061</u>
Net increase in cash and cash equivalents. . . . .	28,460	14,644	43,104
Cash and cash equivalents at beginning of year . . .	<u>136,894</u>	<u>169,431</u>	<u>306,325</u>
Cash and cash equivalents at end of year . . . . .	<u>\$165,354</u>	<u>\$184,075</u>	<u>\$349,429</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss). . . . .	(\$191,271)	\$9,578	(\$181,693)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	2,697		2,697
Federal donated commodities . . . . .	69,635		69,635
Changes in assets and liabilities:			
Decrease in supplies inventory . . . . .	9,384		9,384
(Increase)Decrease in accounts receivable . . . . .	30	(1,215)	(1,185)
Decrease in accounts payable. . . . .		(4,269)	(4,269)
Decrease in accrued wages & benefits. . . . .	(11,946)		(11,946)
Increase in compensated absences payable . . . . .	497		497
Decrease in pension obligation payable. . . . .	(3,097)		(3,097)
Increase in claims payable . . . . .		10,550	10,550
Decrease in deferred revenue. . . . .	(9,843)		(9,843)
Net cash provided by (used in) operating activities. . . . .	<u>(\$133,914)</u>	<u>\$14,644</u>	<u>(\$119,270)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

The Triway Local School District (the "District") is located in Wayne County, including all of the Village of Shreve, and portions of Clinton, Franklin, Wooster, and Plain townships. 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 100 non-certified and 148 (including administrative) certified full-time and part-time employees to provide services to approximately 2,216 students in grades K through 12 and various community groups, which ranks it 255<sup>th</sup> out of approximately 682 public and community school districts in Ohio.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the 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, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations

Midland Council of Governments

The District is a member of the Midland Council of Governments, which was organized as a council-of-governments (COG) 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 Joint Vocational School

The vocational school district 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 school 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.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

*GOVERNMENTAL FUNDS*

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

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

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

Capital Projects Funds - 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 and Trust Funds).

*PROPRIETARY FUNDS*

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

Internal Service Funds - Internal Service Funds are 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.

*FIDUCIARY FUNDS*

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual.

*ACCOUNT GROUPS*

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

**D. 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 2001, is as follows:

1. Prior to January 15 of the preceding year, 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

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 and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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.
8. Appropriation 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 appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2001.

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.

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 10.

**E. Cash and Investments**

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

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a certificate of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable 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, 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

By policy of the Board of Education, investment earnings are assigned to the General fund, the Permanent Improvement capital projects fund, and the Food Service enterprise fund. During fiscal 2001, interest revenue credited to the general fund amounted to \$167,260, which includes \$14,563 assigned from other District funds.

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

**F. Inventory**

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepayments**

Prepayments for Governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Entitlements

General Fund  
State Foundation Program  
State Property Tax Relief

Capital Projects Fund  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds  
Teacher Development  
Management Information Systems  
Career Development  
Title VI-B  
Title VI  
Title I  
Drug-Free School  
Public School Preschool  
Ohio Reads  
Class Size Reduction  
Summer Intervention

Non-Reimbursable Grants - (Continued)

Capital Projects Fund  
SchoolNet

Reimbursable Grants

General Fund  
School Bus Purchases  
Driver Education  
Vocational Education Travel/Salary

Proprietary Funds

National School Lunch Program  
National School Breakfast Program  
Special Milk Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 54% of the District's operating revenue during the 2001 fiscal year.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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 the balance sheet date 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; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

**L. Statutory Reserves**

The District is required by state law to set aside certain General fund (cash basis) revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>		<u>BWC Refunds</u>
			<u>Reserved</u>	<u>Designated</u>	
Balance 7/1/00	\$ (159)	\$ (167,013)	\$ 240,288	\$259,759	\$ 0
Required Set-Aside	287,686	287,686			
Change in statutory requirements			(240,288)	173,804	66,484
Qualifying Expenditures	<u>(300,917)</u>	<u>(1,732,282)</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ (13,390)</u>	<u>\$(1,611,609)</u>	<u>\$ 0</u>	<u>\$433,563</u>	<u>\$66,484</u>
Cash balance/qualifying carry forward to FY 2002	<u>\$ (13,390)</u>	<u>\$(1,611,609)</u>	<u>\$ 0</u>	<u>\$433,563</u>	<u>\$66,484</u>

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The School Board has taken action to continue to designate these funds for a specific use. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount of BWC refunds	<u>\$66,484</u>
Total Restricted assets	<u>\$66,484</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, BWC refunds and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balance represents planned actions for monies set-aside by the District for budget stabilization.

**N. Interfund Transactions**

Transactions between funds during the normal course of operations may occur. These may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

**O. Statement of Cash Flows**

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Estimates**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

**R. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside for BWC refunds. This reserve is required by State statute. A schedule of statutory reserve is presented in Note 2L.

**S. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Title VI	\$ (62)
Summer Intervention	(22)
Title I	(13,921)
Miscellaneous Federal Grants	(202)
<u>Capital Projects Fund</u>	
Permanent Improvement	(638,662)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statutes which does not allow for a negative cash fund balance at year-end.

**C. Agency Funds**

The following are accruals for the agency fund, which, in another fund type, would be recognized on the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$116

**D. Restatement of Account Group**

The client received an updated appraisal report.

	<u>Amount as Previously Stated at 6/30/00</u>	<u>Adjustment</u>	<u>Amount Restated at 7/01/00</u>
General Fixed Asset Account Group	\$11,631,160	\$(2,820,005)	\$8,811,155

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

Interim deposits are deposits of interim 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 accounts, including passbook accounts.

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

Interim monies may 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year-end, the District had \$3,800 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in pooled cash and cash equivalents", but is not included in the total amount of deposits reported below.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Deposits:* At year-end the carrying amount of the District’s deposits was \$(244,731) and the bank balance was \$272,711. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. Of the bank balance:

1. \$251,695 was covered by federal depository insurance.
2. \$21,016 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Fair Value
Not Subject to Categorization:	
Investment in State	
Treasurer’s Investment Pool	\$4,349,620
Total Investments	\$4,349,620

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,108,689	\$ 0
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(4,349,620)	4,349,620
Cash on Hand	<u>(3,800)</u>	<u>                    </u>
GASB Statement No. 3	<u>\$ (244,731)</u>	<u>\$4,349,620</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized reconciliation of the District's operating transfers for fiscal year 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(108,566)
<u>Special Revenue Fund</u>		
District Managed Student Activity	\$ 10,000	
<u>Debt Service Fund</u>		
Bond Retirement	210,286	
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>                    </u>	<u>(111,720)</u>
Totals	<u>\$220,286</u>	<u>\$(220,286)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$134,951,300	79.24	\$154,723,335	80.63
Public Utility Personal	15,573,600	9.14	14,973,295	7.80
Tangible Personal Property	<u>19,792,907</u>	<u>11.62</u>	<u>22,198,188</u>	<u>11.57</u>
	<u>\$170,317,807</u>	<u>100.00</u>	<u>\$191,894,818</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$41.20		\$41.20
Permanent improvement		1.00		4.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Wayne County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$745,565 in the General fund and \$87,122 in the Permanent Improvement fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$5,581,263
Accounts	56,698
<u>Capital Projects Fund</u>	
Taxes - current & delinquent	694,335
<u>Internal Service Fund</u>	
Accounts	18,971

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 8 - FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

	Restated Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2001</u>
Land/Improvements	\$ 411,054			\$ 411,054
Buildings	4,243,050	\$ 307,451		4,550,501
Furniture/Equipment	1,834,005			1,834,005
Vehicles	1,186,412	123,792		1,310,204
Textbooks	829,183			829,183
Construction in Progress	<u>307,451</u>	<u>901,006</u>	<u>\$(307,451)</u>	<u>901,006</u>
Total	<u>\$8,811,155</u>	<u>\$1,332,249</u>	<u>\$(307,451)</u>	<u>\$9,835,953</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 329,013
Less: Accumulated Depreciation	<u>(256,577)</u>
Net Fixed Assets	<u>\$ 72,436</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

During the fiscal year, 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. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. These notes are accounted for in the fund that received the proceeds, the Capital Projects Permanent Improvement fund. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; operating transfers from the Permanent Improvements fund provide the source of repayment.

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded 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 operating revenues.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

A. The following is a description of the District's notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/00</u>	<u>Issued in Fiscal 2001</u>	<u>Retired in Fiscal 2001</u>	<u>Balance 06/30/01</u>
Energy Conservation							
Notes	6.05%	05/20/92	05/18/13	\$623,360		\$(67,283)	\$ 556,077
Tax Anticipation Notes	5.70%	07/12/00	07/12/10	_____	\$2,400,000	_____	2,400,000
Total				<u>\$623,360</u>	<u>\$2,400,000</u>	<u>\$(67,283)</u>	<u>\$2,956,077</u>

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

<u>Year Ending June 30</u>	<u>Energy Conservation Notes</u>	<u>Tax Anticipation Notes</u>	<u>Total</u>
2002	\$ 96,362	\$ 281,061	\$ 377,423
2003	58,287	321,059	379,346
2004	58,288	320,737	379,025
2005	58,287	320,397	378,684
2006	58,288	320,036	378,324
2007 - 2011	291,436	1,594,020	1,885,456
2012 - 2013	<u>116,575</u>	_____	<u>116,575</u>
Total	<u>737,523</u>	<u>3,157,310</u>	<u>3,894,833</u>
Less: Interest	<u>(181,446)</u>	<u>(757,310)</u>	<u>(938,756)</u>
Total Principal	<u>\$ 556,077</u>	<u>\$2,400,000</u>	<u>\$2,956,077</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated Absences	\$ 833,136	\$ 57,890		\$ 891,026
Pension Obligation	87,184	89,804	\$ (87,184)	89,804
Energy Conservation Notes	<u>623,360</u>	_____	<u>(67,283)</u>	<u>556,077</u>
Total	<u>\$1,543,680</u>	<u>\$147,694</u>	<u>\$(154,467)</u>	<u>\$1,536,907</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**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 further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001, are a voted debt margin of \$14,870,534, an unvoted debt margin of \$191,895, and an unvoted energy conservation debt margin of \$1,170,976.

**NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains one enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2001, is not presented. The Enterprise fund had \$3,440 of encumbrances outstanding at June 30, 2001.

**NOTE 11 - RISK MANAGEMENT**

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 \$88,619 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 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 11 - 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 2001, 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 \$22,105 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, 2001.

The claims liability of \$22,105 reported in the fund at June 30, 2001, 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 past three fiscal years 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>
2001	\$11,555	\$127,562	\$(117,012)	\$22,105
2000	11,005	100,750	(100,200)	11,555
1999	7,588	98,782	(95,365)	11,005

The District retains all reserves, in anticipation of future claims. For the fiscal 2001 plan year, the District's reserves amounted to over \$140,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (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.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were, \$248,250, \$257,671, and \$243,208, respectively; 52% has been contributed for fiscal year 2001, and 100% for the fiscal years 2000 and 1999. \$120,120, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. STATE TEACHERS RETIREMENT SYSTEM**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$961,533, \$957,017, and \$901,168, respectively; 82% has been contributed for fiscal year 2001, and 100% for the fiscal years 2000 and 1999. \$171,260, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$309,064 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$180,576 during the 2001 fiscal year.

**NOTE 14 - 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 14 - 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 governmental funds are as follows:

**Excess of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$257,427	\$(16,446)	\$ 232,171
Net Adjustment for Revenue Accruals	707,511	323	85,785
Net Adjustment for Expenditure Accruals	(55,102)	6,844	83,586
Net Adjustment for Other Financing Sources/(Uses)	(40,590)		(2,400,000)
Adjustment for Encumbrances	<u>51,085</u>	<u>15,586</u>	<u>932,591</u>
GAAP Basis	<u>\$920,331</u>	<u>\$ 6,307</u>	<u>\$(1,065,867)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 15 - 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 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

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

**C. State School Funding Decision**

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 15 - CONTINGENCIES - (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 16, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 16 - CONTRACTUAL COMMITMENTS**

The District had the following contracted commitments outstanding at June 30, 2001:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Harris Day Architects	\$175,000	\$161,100	\$ 13,900
ECM	179,999	53,962	126,037
Schmid P & H	25,900	17,472	8,428
Abbott Electric	190,488	105,871	84,617
Ben D Imhoff	894,329	394,599	499,730
Webb-Atlas	157,815	16,782	141,033
Feinman Mechanical	107,132	60,296	46,836
Schmid P & H	126,580	43,586	82,994
Clark Fowler	33,710		33,710
American Electric Power	<u>18,955</u>		<u>18,955</u>
Total	<u>\$1,909,908</u>	<u>\$853,668</u>	<u>\$1,056,240</u>

## **SUPPLEMENTAL DATA**

**TRIWAY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A) (B) Food Distribution	10.550	N/A		\$60,082		\$69,635
(A) (C) School Breakfast Program	10.553	50591-05-PU 2000	\$286		\$286	
(A) (C) School Breakfast Program	10.553	50591-05-PU 2001	1,427		1,427	
(A) (C) National School Lunch Program	10.555	50591-LL-P1 2000	22,935		22,935	
(A) (C) National School Lunch Program	10.555	50591-LL-P4 2000	12,899		12,899	
(A) (C) National School Lunch Program	10.555	50591-LL-P1 2001	72,277		72,277	
(A) (C) National School Lunch Program	10.555	50591-LL-P4 2001	38,827		38,827	
(A) (C) Special Milk Program	10.556	50591-02-PU 2000	1,153		1,153	
(A) (C) Special Milk Program	10.556	50591-02-PU 2001	2,171		2,171	
<b>Total U. S. Department of Agriculture and Nutrition Cluster</b>			151,975	60,082	151,975	69,635
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I	84.010	50591-C1-S1 2000	23,081		49,366	
Title I	84.010	50591-C1-SD 2000	1,784		1,784	
Title I	84.010	50591-C1-S1 2001	10,536		9,758	
Title I	84.010	50591-C1-SD 2001	168,928		162,005	
<b>Total Title I</b>			204,329		222,913	
Title VI-B	84.027	50591-6B-SF 1999 P	11,338		14,027	
Title VI-B	84.027	50591-6B-SF 2000 P	185,588		171,085	
<b>Total Title VI-B</b>			196,926		185,112	
Drug Free Schools	84.186	50591-DR-S1 2000	0		5,282	
Drug Free Schools	84.186	50591-DR-S1 2001	7,234		5,884	
<b>Total Drug Free Schools</b>			7,234		11,166	
Class Size Reduction	84.340	50591-CR-S1 2000	330		330	
Class Size Reduction	84.340	50591-CR-S1 2001	35,269		35,269	
<b>Total Class Size Reduction</b>			35,599		35,599	
<b>Total U. S. Department of Education</b>			444,088		454,790	
<b>Total Federal Financial Assistance</b>			\$596,063	\$60,082	\$606,765	\$69,635

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

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

We have audited the general purpose financial statements of Triway Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated November 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Triway Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Education  
Triway Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Triway Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Triway Local School District in a separate letter dated November 16, 2001.

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

Trimble, Julian & Grube, Inc.  
November 16, 2001

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

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

### Compliance

We have audited the compliance of Triway Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. Triway Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Triway Local School District's management. Our responsibility is to express an opinion on Triway Local School District's compliance based on our audit.

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

Board of Education  
Triway Local School District

In our opinion, Triway Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2001.

#### Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.  
November 16, 2001

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2001**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

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

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2001**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**1. SUMMARY OF AUDITOR'S RESULTS (Continued)**

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title VI-B; CFDA#84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
JANUARY 29, 2002**