

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

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2002*

SUE A. KRUSE, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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, 2001 through June 30, 2002. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 20, 2002

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

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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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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, 2002, 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 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 4, 2002

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash and cash equivalents	\$ 1,965,798	\$ 187,018	\$ 532,256
Receivables (net of allowances of uncollectibles):			
Property taxes - current & delinquent	5,502,703	-	691,041
Accounts	7,533	385	-
Due from other governments	66,009	63,324	-
Due from other funds	-	-	-
Materials and supplies inventory	16,587	-	-
Prepayments	22,535	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-
OTHER DEBITS:			
Amount to be provided for retirement of general long-term obligations	-	-	-
Total assets and other debits	\$ 7,581,165	\$ 250,727	\$ 1,223,297
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	\$ 11,033	\$ 5,033	\$ -
Contracts payable	-	-	15,755
Accrued wages and benefits	1,225,112	41,539	-
Compensated absences payable	15,363	-	-
Pension obligation payable	211,950	-	-
Due to other governments	40,595	1,251	-
Due to other funds	16,398	-	-
Claims payable	-	-	-
Deferred revenue	4,971,795	63,324	624,746
Due to students	-	-	-
Deposits held and due to others	-	-	-
Accrued interest payable	-	-	21,389
Tax anticipation notes payable	-	-	2,251,507
Energy conservation notes payable	-	-	-
Total liabilities	6,492,246	111,147	2,913,397
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets	-	-	-
Retained earnings: unreserved	-	-	-
Fund balances:			
Reserved for encumbrances	73,870	19,281	100,430
Reserved for materials and supplies inventory	16,587	-	-
Reserved for prepayments	22,535	-	-
Reserved for tax revenue unavailable for appropriation	530,908	-	66,295
Unreserved-undesignated (deficit)	445,019	120,299	(1,856,825)
Total equity and other credits	1,088,919	139,580	(1,690,100)
Total liabilities, equity and other credits	\$ 7,581,165	\$ 250,727	\$ 1,223,297

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 108,384	\$ 200,071	\$ 35,240	\$ -	\$ -	\$ 3,028,767
-	-	-	-	-	6,193,744
68	-	-	-	-	7,986
17,464	-	-	-	-	146,797
-	17,479	-	-	-	17,479
33,689	-	-	-	-	50,276
-	-	-	-	-	22,535
61,887	-	-	10,771,210	-	10,833,097
-	-	-	-	1,659,798	1,659,798
<u>\$ 221,492</u>	<u>\$ 217,550</u>	<u>\$ 35,240</u>	<u>\$ 10,771,210</u>	<u>\$ 1,659,798</u>	<u>\$ 21,960,479</u>
\$ 600	\$ 1,201	\$ -	\$ -	\$ -	\$ 17,867
-	-	-	-	-	15,755
38,626	-	-	-	-	1,305,277
7,962	-	-	-	1,059,534	1,082,859
19,154	-	-	-	113,048	344,152
874	-	-	-	-	42,720
1,081	-	-	-	-	17,479
-	13,970	-	-	-	13,970
25,989	-	-	-	-	5,685,854
-	-	26,578	-	-	26,578
-	-	8,662	-	-	8,662
-	-	-	-	-	21,389
-	-	-	-	-	2,251,507
-	-	-	-	487,216	487,216
<u>94,286</u>	<u>15,171</u>	<u>35,240</u>	<u>-</u>	<u>1,659,798</u>	<u>11,321,285</u>
-	-	-	10,771,210	-	10,771,210
127,206	202,379	-	-	-	329,585
-	-	-	-	-	193,581
-	-	-	-	-	16,587
-	-	-	-	-	22,535
-	-	-	-	-	597,203
-	-	-	-	-	(1,291,507)
<u>127,206</u>	<u>202,379</u>	<u>-</u>	<u>10,771,210</u>	<u>-</u>	<u>10,639,194</u>
<u>\$ 221,492</u>	<u>\$ 217,550</u>	<u>\$ 35,240</u>	<u>\$ 10,771,210</u>	<u>\$ 1,659,798</u>	<u>\$ 21,960,479</u>

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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, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 4,701,186	\$ -	\$ -	\$ 593,441	\$ -	\$ 5,294,627
Tuition	5,344	-	-	-	-	5,344
Earnings on investments	73,168	-	-	11,589	-	84,757
Extracurricular	-	275,873	-	-	-	275,873
Other local revenues	93,765	72,755	-	-	-	166,520
Other revenue	139,476	-	-	-	-	139,476
Intergovernmental - state	8,752,685	238,274	-	150,367	-	9,141,326
Intergovernmental - federal	-	422,122	-	-	-	422,122
Total revenues	<u>13,765,624</u>	<u>1,009,024</u>	<u>-</u>	<u>755,397</u>	<u>-</u>	<u>15,530,045</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,859,231	83,204	-	67,398	-	7,009,833
Special	1,273,641	190,647	-	-	-	1,464,288
Vocational	352,281	-	-	-	-	352,281
Other	155,215	-	-	-	-	155,215
Support services:						
Pupil	510,117	9,313	-	-	1,087	520,517
Instructional staff	412,081	111,409	-	-	-	523,490
Board of Education	46,193	-	-	-	-	46,193
Administration	1,104,977	82,798	-	-	-	1,187,775
Fiscal	286,698	-	-	10,926	-	297,624
Business	56,921	-	-	-	-	56,921
Operations and maintenance	1,147,685	-	-	-	-	1,147,685
Pupil transportation	949,059	-	-	-	-	949,059
Central	336,216	28,985	-	24,000	-	389,201
Community services	-	198,900	-	-	-	198,900
Extracurricular activities	319,930	285,538	-	-	-	605,468
Facilities acquisition and construction	-	-	-	1,588,954	-	1,588,954
Debt service:						
Principal retirement	-	-	68,861	-	-	68,861
Interest and fiscal charges	-	-	27,501	153,957	-	181,458
Total expenditures	<u>13,810,245</u>	<u>990,794</u>	<u>96,362</u>	<u>1,845,235</u>	<u>1,087</u>	<u>16,743,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,621)</u>	<u>18,230</u>	<u>(96,362)</u>	<u>(1,089,838)</u>	<u>(1,087)</u>	<u>(1,213,678)</u>
Other financing sources (uses):						
Operating transfers in	-	10,000	96,362	-	-	106,362
Operating transfers out	<u>(106,362)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,362)</u>
Total other financing sources (uses)	<u>(106,362)</u>	<u>10,000</u>	<u>96,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(150,983)</u>	<u>28,230</u>	<u>-</u>	<u>(1,089,838)</u>	<u>(1,087)</u>	<u>(1,213,678)</u>
Fund balances/(deficit), July 1	1,242,548	111,350	-	(600,262)	1,087	754,723
Decrease in reserve for inventory	<u>(2,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,646)</u>
Fund balances/(deficit), June 30	<u>\$ 1,088,919</u>	<u>\$ 139,580</u>	<u>\$ -</u>	<u>\$ (1,690,100)</u>	<u>\$ -</u>	<u>\$ (461,601)</u>

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, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 4,763,513	\$ 4,915,717	\$ 152,204	\$ -	\$ -	\$ -
Tuition	7,762	5,344	(2,418)	-	-	-
Earnings on investments	72,863	73,168	305	-	-	-
Extracurricular	-	-	-	270,000	275,873	5,873
Other local revenues	89,750	96,506	6,756	70,769	72,755	1,986
Other revenue	118,691	118,691	-	-	-	-
Intergovernmental - state	8,486,686	8,752,685	265,999	237,824	238,274	450
Intergovernmental - federal	-	-	-	422,124	422,122	(2)
Total revenues	<u>13,539,265</u>	<u>13,962,111</u>	<u>422,846</u>	<u>1,000,717</u>	<u>1,009,024</u>	<u>8,307</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,970,041	6,884,646	85,395	83,051	79,004	4,047
Special	1,236,590	1,235,068	1,522	205,420	189,999	15,421
Vocational	340,644	338,673	1,971	-	-	-
Other	149,970	149,970	-	-	-	-
Support services:						
Pupil	508,329	505,469	2,860	25,946	12,776	13,170
Instructional staff	395,676	395,435	241	149,448	107,784	41,664
Board of Education	46,342	46,342	-	-	-	-
Administration	1,089,664	1,079,358	10,306	95,100	83,096	12,004
Fiscal	286,310	284,822	1,488	-	-	-
Business	64,696	61,239	3,457	-	-	-
Operations and maintenance	1,228,755	1,197,618	31,137	-	-	-
Pupil transportation	962,537	955,452	7,085	-	-	-
Central	366,702	347,479	19,223	28,981	28,981	-
Community services	-	-	-	198,900	198,900	-
Extracurricular activities	315,377	315,118	259	310,001	298,844	11,157
Facilities acquisition & construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>13,961,633</u>	<u>13,796,689</u>	<u>164,944</u>	<u>1,096,847</u>	<u>999,384</u>	<u>97,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(422,368)</u>	<u>165,422</u>	<u>587,790</u>	<u>(96,130)</u>	<u>9,640</u>	<u>105,770</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	10,000	10,000	-
Operating transfers out	(106,362)	(106,362)	-	-	-	-
Refund of prior year's expenditure	1,500	1,326	(174)	-	-	-
Total other financing sources (uses)	<u>(104,862)</u>	<u>(105,036)</u>	<u>(174)</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(527,230)</u>	<u>60,386</u>	<u>587,616</u>	<u>(86,130)</u>	<u>19,640</u>	<u>105,770</u>
Fund balances, July 1	1,769,664	1,769,664	-	130,478	130,478	-
Prior year encumbrances appropriated	51,085	51,085	-	15,586	15,586	-
Fund balances, June 30	<u>\$ 1,293,519</u>	<u>\$ 1,881,135</u>	<u>\$ 587,616</u>	<u>\$ 59,934</u>	<u>\$ 165,704</u>	<u>\$ 105,770</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 668,091	\$ 623,066	\$ (45,025)	\$ 5,431,604	\$ 5,538,783	\$ 107,179
-	-	-	-	-	-	7,762	5,344	(2,418)
-	-	-	54,399	11,589	(42,810)	127,262	84,757	(42,505)
-	-	-	-	-	-	270,000	275,873	5,873
-	-	-	-	-	-	160,519	169,261	8,742
-	-	-	-	-	-	118,691	118,691	-
-	-	-	681,049	150,367	(530,682)	9,405,559	9,141,326	(264,233)
-	-	-	-	-	-	422,124	422,122	(2)
-	-	-	<u>1,403,539</u>	<u>785,022</u>	<u>(618,517)</u>	<u>15,943,521</u>	<u>15,756,157</u>	<u>(187,364)</u>
-	-	-	68,192	67,398	794	7,121,284	7,031,048	90,236
-	-	-	-	-	-	1,442,010	1,425,067	16,943
-	-	-	-	-	-	340,644	338,673	1,971
-	-	-	-	-	-	149,970	149,970	-
-	-	-	-	-	-	534,275	518,245	16,030
-	-	-	-	-	-	545,124	503,219	41,905
-	-	-	-	-	-	46,342	46,342	-
-	-	-	-	-	-	1,184,764	1,162,454	22,310
-	-	-	10,926	10,926	-	297,236	295,748	1,488
-	-	-	-	-	-	64,696	61,239	3,457
-	-	-	-	-	-	1,228,755	1,197,618	31,137
-	-	-	-	-	-	962,537	955,452	7,085
-	-	-	24,000	24,000	-	419,683	400,460	19,223
-	-	-	-	-	-	198,900	198,900	-
-	-	-	-	-	-	625,378	613,962	11,416
-	-	-	1,790,520	1,733,301	57,219	1,790,520	1,733,301	57,219
217,354	217,354	-	-	-	-	217,354	217,354	-
160,069	160,069	-	-	-	-	160,069	160,069	-
<u>377,423</u>	<u>377,423</u>	<u>-</u>	<u>1,893,638</u>	<u>1,835,625</u>	<u>58,013</u>	<u>17,329,541</u>	<u>17,009,121</u>	<u>320,420</u>
(377,423)	(377,423)	-	(490,099)	(1,050,603)	(560,504)	(1,386,020)	(1,252,964)	133,056
377,423	377,423	-	-	-	-	387,423	387,423	-
-	-	-	(281,061)	(281,061)	-	(387,423)	(387,423)	-
-	-	-	-	-	-	1,500	1,326	(174)
<u>377,423</u>	<u>377,423</u>	<u>-</u>	<u>(281,061)</u>	<u>(281,061)</u>	<u>-</u>	<u>1,500</u>	<u>1,326</u>	<u>(174)</u>
-	-	-	(771,160)	(1,331,664)	(560,504)	(1,384,520)	(1,251,638)	132,882
-	-	-	830,942	830,942	-	2,731,084	2,731,084	-
-	-	-	932,591	932,591	-	999,262	999,262	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,373</u>	<u>\$ 431,869</u>	<u>\$ (560,504)</u>	<u>\$ 2,345,826</u>	<u>\$ 2,478,708</u>	<u>\$ 132,882</u>

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services	\$ 425,515	\$ 147,092	\$ 572,607
Total operating revenues	<u>425,515</u>	<u>147,092</u>	<u>572,607</u>
Operating expenses:			
Personal services	318,817	-	318,817
Contract services	39,229	9,683	48,912
Materials and supplies	337,627	-	337,627
Depreciation	7,443	-	7,443
Claims expense	<u>-</u>	<u>115,971</u>	<u>115,971</u>
Total operating expenses	<u>703,116</u>	<u>125,654</u>	<u>828,770</u>
Operating income (loss)	<u>(277,601)</u>	<u>21,438</u>	<u>(256,163)</u>
Nonoperating revenues (expenses):			
Operating grants	152,158	-	152,158
Federal commodities	75,723	-	75,723
Loss on sale of assets	(18,205)	-	(18,205)
Interest revenue	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Total nonoperating revenues (expenses)	<u>211,101</u>	<u>-</u>	<u>211,101</u>
Net income (loss)	(66,500)	21,438	(45,062)
Retained earnings, July 1	<u>193,706</u>	<u>180,941</u>	<u>374,647</u>
Retained earnings, June 30	<u>\$ 127,206</u>	<u>\$ 202,379</u>	<u>\$ 329,585</u>

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 CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 425,478	\$ 148,584	\$ 574,062
Cash payments for personal services	(303,231)	-	(303,231)
Cash payments for contract services.	(38,629)	(8,482)	(47,111)
Cash payments for materials and supplies.	(261,938)	-	(261,938)
Cash payments for claims expenses.	-	(124,106)	(124,106)
Net cash provided by (used in) operating activities	<u>(178,320)</u>	<u>15,996</u>	<u>(162,324)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	<u>135,024</u>	<u>-</u>	<u>135,024</u>
Net cash provided by noncapital financing activities	<u>135,024</u>	<u>-</u>	<u>135,024</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(15,099)</u>	<u>-</u>	<u>(15,099)</u>
Net cash used in capital and related financing activities	<u>(15,099)</u>	<u>-</u>	<u>(15,099)</u>
Cash flows from investing activities:			
Interest received	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Net cash provided by investing activities	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Net increase (decrease) in cash and cash equivalents	(56,970)	15,996	(40,974)
Cash and cash equivalents at beginning of year	165,354	184,075	349,429
Cash and cash equivalents at end of year.	<u>\$ 108,384</u>	<u>\$ 200,071</u>	<u>\$ 308,455</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss).	\$ (277,601)	\$ 21,438	\$ (256,163)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,443	-	7,443
Federal donated commodities	75,723	-	75,723
Changes in assets and liabilities:			
Increase in materials and supplies inventory.	(3,771)	-	(3,771)
(Increase) decrease in accounts receivable.	(37)	18,971	18,934
Increase in due from other funds	-	(17,479)	(17,479)
Increase in accounts payable	600	1,201	1,801
Increase in accrued wages and benefits.	15,081	-	15,081
Increase in compensated absences payable.	581	-	581
Decrease in pension obligation payable.	(2,031)	-	(2,031)
Increase in due to other governments	874	-	874
Increase in due to other funds	1,081	-	1,081
Decrease in claims payable.	-	(8,135)	(8,135)
Increase in deferred revenue.	<u>3,737</u>	<u>-</u>	<u>3,737</u>
Net cash provided by (used in) operating activities.	<u>\$ (178,320)</u>	<u>\$ 15,996</u>	<u>\$ (162,324)</u>

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

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

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

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 2,164 students in grades K through 12 and various community groups, which ranks it 259th out of approximately 705 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

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

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 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.

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

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

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

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.

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 - The 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 - The 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).

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

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

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

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.

Enterprise Fund - The enterprise fund is 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 Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

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:

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

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

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

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.

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, 2002, but which are intended to finance fiscal 2003 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, 2002, 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, 2002

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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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.

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

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

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

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 do not receive revenue from property taxes.

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 2002, 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 2002.

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

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

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 expenditures 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 2002.

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 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, 2002

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 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for the enterprise fund are reported in Note 11.

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" on the combined balance sheet.

During 2002, 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, 2002.

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 2002, interest revenue credited to the general fund amounted to \$73,168, which includes \$26,473 assigned from other District funds.

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

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

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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 consumption method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-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, 2002

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>
Furniture, fixtures and minor equipment	5 - 20

I. 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, 2002

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 of 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.

J. 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, 2002

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.

K. 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 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.

L. 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, 2002

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 2002 is presented in Note 5.

M. Estimates

The preparation of the GPFS in conformity with GAAP 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.

N. Memorandum Only - Total Columns

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balance at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI	\$ 43
Management Information Systems	37
Miscellaneous Federal Grants	345
<u>Capital Projects Funds</u>	
Permanent Improvement	1,738,034

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end.

The deficit fund balances in the Title VI, Miscellaneous Federal Grants and Management Information Systems special revenue funds are caused by the application of GAAP, namely in the reporting of accrued wages, benefit, and pension obligations attributable to the fiscal year. These deficits will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit balance in the Permanent Improvement capital projects fund is due to the recording of a tax anticipation note payable as a fund liability rather than as a "other financing source". This deficit will be eliminated as taxes are collected to repay the note.

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.

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

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

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

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;
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;

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Deposits: At year-end the carrying amount of the District's deposits was \$167,228 and the bank balance was \$256,285. Of the bank balance:

1. \$135,685 was covered by federal depository insurance; and
2. \$120,600 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District 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.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$1,082,053</u>	\$1,082,053	\$1,082,053
Investment in STAR Ohio		1,775,686	1,775,686
Total investments		<u>\$2,857,739</u>	<u>\$2,857,739</u>

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

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	\$ 3,028,767	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,082,053)	1,082,053
Investment in STAR Ohio	(1,775,686)	1,775,686
Cash on hand	<u>(3,800)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 167,228</u>	<u>\$2,857,739</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$106,362
<u>Special Revenue Fund</u>		
District Managed Student Activity	10,000	-
<u>Debt Service Fund</u>		
Bond Retirement	<u>96,362</u>	<u>-</u>
Totals	<u>\$106,362</u>	<u>\$106,362</u>

B. The following is a summarized reconciliation of amounts "due to" and "due from" other funds at June 30, 2002, for services rendered.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$16,398
<u>Enterprise Fund</u>		
Food Service	-	1,081
<u>Internal Service Fund</u>		
Dental Self-Insurance	<u>17,479</u>	<u>-</u>
Totals	<u>\$17,479</u>	<u>\$17,479</u>

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

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

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.

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 varying rates of true value.

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 value upon which the 2001 taxes were collected was \$204,024,068. Agricultural/residential and public utility/minerals real estate represented 69.68% or \$142,160,970 of this total; Commercial & industrial real estate represented 11.91% or \$24,299,060 of this total, public utility tangible represented 5.93% or 12,092,550 of this total and general tangible property represented 12.48% or \$25,471,488 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$41.20 per \$1,000.00 of assessed valuation for operations and \$4.00 per \$1,000.00 of assessed valuation for permanent improvement.

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, 2002

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, 2002. 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, 2002 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, 2002 totaled \$530,908 in the general fund and \$66,295 in the Permanent Improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), amounts due from other funds for services rendered, and intergovernmental grants (to the extent eligibility requirements have been met at year-end). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$5,502,703
Accounts	7,533
Due from other governments	66,009
<u>Special Revenue Funds</u>	
Due from other governments	63,324
<u>Capital Projects Fund</u>	
Taxes - current and delinquent	691,041
<u>Enterprise Fund</u>	
Due from other governments	17,464
<u>Internal Service Fund</u>	
Due from other funds	17,479

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - FIXED ASSETS

The following changes occurred in the general fixed assets account group during the year:

	<u>Balance</u> <u>07/01/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/02</u>
Land/improvements	\$ 411,054	\$ -	\$ -	\$ 411,054
Buildings	4,550,501	2,230,870	-	6,781,371
Furniture/equipment	1,834,005	369,978	(764,585)	1,439,398
Vehicles	1,310,204	-	-	1,310,204
Textbooks	829,183	-	-	829,183
Construction in progress	<u>901,006</u>	<u>1,329,864</u>	<u>(2,230,870)</u>	<u>-</u>
Total	<u>\$9,835,953</u>	<u>\$3,930,712</u>	<u>\$(2,995,455)</u>	<u>\$10,771,210</u>

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 274,333
Less: accumulated depreciation	<u>(212,446)</u>
Net fixed assets	<u>\$ 61,887</u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. 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.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>07/01/01</u>	<u>Issued in</u> <u>Fiscal 2002</u>	<u>Retired in</u> <u>Fiscal 2002</u>	<u>Balance</u> <u>06/30/02</u>
Energy conservation notes	6.05%	05/20/92	05/18/13	\$ <u>556,077</u>	\$ -	\$ (68,861)	\$ <u>487,216</u>
Total				<u>\$ 556,077</u>	<u>\$ -</u>	<u>\$ (68,861)</u>	<u>\$ 487,216</u>

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending June 30	Energy Conservation Notes
2003	\$ 58,287
2004	58,287
2005	58,287
2006	58,287
2007	58,287
2008 - 2012	291,437
2013	58,287
Total	641,159
Less: interest	(153,943)
Total principal	\$ 487,216

B. During the year ended June 30, 2002, 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 impracticality of determining these values. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance 07/01/01	Increase	Decrease	Balance 06/30/02
Compensated absences	\$ 891,026	\$168,508	\$ -	\$1,059,534
Pension obligation	89,804	113,048	(89,804)	113,048
Energy conservation notes	556,077	-	(68,861)	487,216
Total	\$1,536,907	\$281,556	\$(158,665)	\$1,659,798

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. 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, 2002, are a voted debt margin of \$16,110,659, an unvoted debt margin of \$204,024, and an unvoted energy conservation debt margin of \$1,349,001.

NOTE 10 - NOTES PAYABLE

During fiscal 2001, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mill levy for permanent improvements. 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 Permanent Improvement capital projects fund. A summary of the tax anticipation notes activity in fiscal 2002 follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/01</u>	<u>Issued in Fiscal 2002</u>	<u>Retired in Fiscal 2002</u>	<u>Balance 06/30/02</u>
Tax anticipation notes	5.70%	07/12/00	07/12/10	<u>\$2,400,000</u>	<u>\$ -</u>	<u>\$(148,493)</u>	<u>\$2,251,507</u>
Total				<u>\$2,400,000</u>	<u>\$ -</u>	<u>\$(148,493)</u>	<u>\$2,251,507</u>

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

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

NOTE 10 - NOTES PAYABLE - (Continued)

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

<u>Year Ending June 30</u>	<u>Tax Anticipation Notes</u>
2003	\$ 321,059
2004	320,737
2005	320,397
2006	320,036
2007	319,655
2008 - 2011	<u>1,274,365</u>
Total	2,876,249
Less: interest	<u>(624,742)</u>
Total principal	<u><u>\$2,251,507</u></u>

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2002, is not presented. The enterprise fund had \$4,200 of encumbrances outstanding at June 30, 2002.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive, Employee Health and Dental Self-Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for dental benefits offered to employees. Under this program, the Self Insurance fund provides coverage for each claim, capped at \$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 2001.

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

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

NOTE 12 - 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 2002, 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 \$13,970 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, 2002.

The claims liability of \$13,970 reported in the fund at June 30, 2002, is based on the provisions of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$22,105	\$115,971	\$(124,106)	\$13,970
2001	11,555	127,562	(117,012)	22,105

The District retains all reserves, in anticipation of future claims. For the fiscal 2002 plan year, the District's reserves amounted to over \$186,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2002, 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 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

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

NOTE 13 - 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 2002; 5.46% 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, 2002, 2001, and 2000 were, \$263,742, \$248,250, and \$257,671, respectively; 44% has been contributed for fiscal year 2002, and 100% for the fiscal years 2001 and 2000. \$147,876, which represents the unpaid contribution for fiscal year 2002, 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% for 2002; 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, 2002, 2001, and 2000 were \$1,008,283, \$961,533, and \$957,017, respectively; 83% has been contributed for fiscal year 2002, and 100% for the fiscal years 2001 and 2000. \$166,864, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 13 - 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, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$324,091 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and 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 percent of the premium.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$187,854 during the 2002 fiscal year.

NOTE 15 - 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
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - 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			
		<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 60,386	\$ 19,640	\$ -	\$(1,331,664)
Net adjustment for revenue accruals	(196,487)	-	-	(29,625)
Net adjustment for expenditure accruals	(98,219)	(12,724)	(281,061)	(118,795)
Net adjustment for other financing sources/(uses)	(1,326)	-	281,061	281,061
Encumbrances (budget basis)	<u>84,663</u>	<u>21,314</u>	<u>-</u>	<u>109,185</u>
GAAP basis	<u><u>\$(150,983)</u></u>	<u><u>\$ 28,230</u></u>	<u><u>\$ -</u></u>	<u><u>\$(1,089,838)</u></u>

NOTE 16 - 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, 2002.

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

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

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is not involved in 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.

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

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

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

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

NOTE 17 - 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, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Designated</u>	<u>BWC Refunds</u>
Carry forward/cash balance 7/1/01	\$ (13,390)	\$(2,667,424)	\$ 433,563	\$66,484
Required set-aside	265,993	265,993	-	-
Release of designation/restriction	-	-	(433,563)	(64,484)
Offset credits	-	(685,294)	-	-
Qualifying expenditures	<u>(404,397)</u>	<u>(165,121)</u>	<u>-</u>	<u>-</u>
Total	<u>(151,794)</u>	<u>(3,251,846)</u>	<u>-</u>	<u>-</u>
Cash balance/qualifying carry forward to FY 2003	<u>\$(151,794)</u>	<u>\$(3,251,846)</u>	<u>\$ -</u>	<u>\$ -</u>

The District issued \$2,400,000 in notes in fiscal year 2001 to provide for the renovation of the District's elementary buildings. This amount is an allowable offset to future years for capital improvement and maintenance set-aside. Thus, the balance at June 30, 2001 has been restated to reflect this offset. In addition, the District had additional qualifying expenditures. The negative amount is therefore presented as being carried forward to the next fiscal year.

The District also had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve. These extra amounts may be used to reduce the set-aside requirement for future years.

During fiscal 2002, the School Board passed a resolution moving monies previously designated for budget stabilization and releasing the BWC refunds for allowable expenditures.

SUPPLEMENTAL DATA

**TRIWAY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(B) Food Distribution	10.550	N/A		\$ 76,080		\$ 75,723
(A),(C) School Breakfast Program	10.553	050591-05PU-2002	\$ 2,477		\$ 2,477	
(A),(C) National School Lunch	10.555	050591-LLP4-2001	20,777		20,777	
(A),(C) National School Lunch	10.555	050591-LLP4-2002	102,372		102,372	
(A),(C) School Milk Program	10.556	050591-02PU-2001	907		907	
(A),(C) School Milk Program	10.556	050591-02PU-2002	2,751		2,751	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>129,284</u>	<u>76,080</u>	<u>129,284</u>	<u>75,723</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I	84.010	050591-C1-SD-2001	-		6,923	
Title I	84.010	050591-C1-S1-2001	5,571		6,349	
Title I	84.010	050591-C1-S1-2002	156,502		135,527	
Title I	84.010	050591-C1-SD-2002	18,461		13,250	
Total Title I			<u>180,534</u>		<u>162,049</u>	
Title VI-B	84.027	050591-6B-SF-2001-P	-		14,503	
Title VI-B	84.027	050591-6B-SF-2002-P	162,768		120,732	
Total Title VI-B			<u>162,768</u>		<u>135,235</u>	
Safe and Drug-Free Schools	84.186	050591-DR-S1-2001	1,877		6,268	
Safe and Drug-Free Schools	84.186	050591-DR-S1-2002	8,528		2,122	
Total Safe and Drug-Free Schools			<u>10,405</u>		<u>8,390</u>	
Eisenhower Professional Development	84.281	050591-MS-S1-2001	792		7,919	
Eisenhower Professional Development	84.281	050591-MS-S1-2002	9,160		-	
Total Eisenhower Professional Development			<u>9,952</u>		<u>7,919</u>	
Innovative Education Program Strategies	84.298	050591-C2-S1-2002	11,237		11,237	
Virtual Learning	84.318	050591-TF-VL-2000	9,000		9,000	
Title VI-R	84.340	050591-CR-S1-2002	38,226		34,241	
Total U.S. Department of Education			<u>422,122</u>		<u>368,071</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
(E) Community Alternative Funding System Program	93.778	N/A	23,622		23,622	
Total U.S. Department of Health and Human Services			<u>23,622</u>		<u>23,622</u>	
Total Federal Financial Assistance			<u>\$ 575,028</u>	<u>\$ 76,080</u>	<u>\$ 520,977</u>	<u>\$ 75,723</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, 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.
(E) Passed through the Tri-County Educational Service Center.

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, 2002, and have issued our report thereon dated November 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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.

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 4, 2002

TRIMBLE, JULIAN & GRUBE, INC.

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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, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, 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, 2002.

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 4, 2002

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2002**

**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, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	<i>Nutrition Cluster:</i> Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553, National School Lunch, CFDA# 10.555; School Milk Program, CFDA# 10.556
<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 GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
DECEMBER 26, 2002**