

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005***

**SUE A. KRUSE, TREASURER**





**Auditor of State  
Betty Montgomery**

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 Julian and Grube, Inc., for the audit period July 1, 2004 to June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 9, 2006

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

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## **Julian & Grube, Inc.** *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the District has presented a prior period adjustment to restate net assets at July 1, 2004 due to correction of error in capital assets, which is described in more detail in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Triway Local School District  
Page Two

The management's discussion and analysis on page 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and 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 basic financial statements of Triway Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 1, 2005

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

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

The discussion and analysis of the Triway Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$1,211,553 which represents a 50.29% decrease from 2004.
- General revenues accounted for \$13,736,292 in revenue or 83.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,727,838 or 16.57% of total revenues of \$16,464,130.
- The District had \$17,675,683 in expenses related to governmental activities; only \$2,727,838 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,736,292 were not adequate to provide for these programs.
- The District's two major governmental funds are the general fund and permanent improvement fund. The general fund had \$13,768,683 in revenues and \$15,042,911 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance decreased \$1,273,879 from \$999,581 to a deficit of \$274,298.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$548,695 in revenues and \$461,421 in expenditures and other financing uses. During fiscal 2005, the permanent improvement fund's fund balance increased \$87,274 from \$690,600 to \$777,874.

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

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

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

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, expenses and revenues* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's Statement of Net Assets and Statement of Activities can be found on pages 14-15 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

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

The District acts as a fiduciary in a trustee capacity for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Restated Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 7,733,104	\$ 8,494,396
Capital assets	<u>3,448,278</u>	<u>3,691,090</u>
Total assets	<u>11,181,382</u>	<u>12,185,486</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,731,869	6,411,111
Long-term liabilities	<u>3,251,831</u>	<u>3,365,140</u>
Total liabilities	<u>9,983,700</u>	<u>9,776,251</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,446,818	1,430,317
Restricted	875,475	713,659
Unrestricted	<u>(1,124,611)</u>	<u>265,259</u>
Total net assets	<u>\$ 1,197,682</u>	<u>\$ 2,409,235</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$1,197,682.

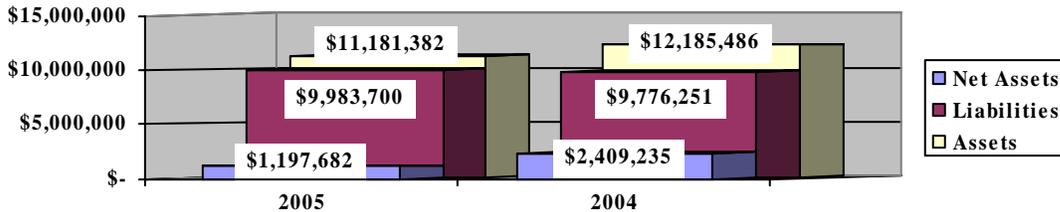
**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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At year-end, capital assets represented 30.84% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt, at June 30, 2005, was \$1,446,818. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$875,475, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,124,611.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,241,578	\$ 1,177,825
Operating grants and contributions	1,425,976	1,114,972
Capital grants and contributions	60,284	104,659
General revenues:		
Property taxes	5,129,262	6,124,553
Grants and entitlements	8,496,785	8,867,005
Investment earnings	50,687	29,974
Other	59,558	9,043
<b>Total revenues</b>	<b>16,464,130</b>	<b>17,428,031</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,129,832	\$ 7,645,551
Special	1,408,120	1,587,095
Vocational	397,495	371,623
Other	169,669	205,603
Support services:		
Pupil	344,268	449,757
Instructional staff	756,577	746,325
Board of education	43,281	54,847
Administration	1,399,815	1,331,482
Fiscal	321,911	329,432
Business	42,740	53,057
Operations and maintenance	1,224,014	1,253,676
Pupil transportation	1,131,638	1,083,366
Central	481,362	434,558
Food service operations	754,804	700,716
Operations of non-instructional services	198,890	250,624
Extracurricular activities	736,229	720,034
Interest and fiscal charges	<u>135,038</u>	<u>104,692</u>
Total expenses	<u>17,675,683</u>	<u>17,322,438</u>
Change in net assets	(1,211,553)	105,593
Net assets at beginning of year (restated)	<u>2,409,235</u>	<u>2,303,642</u>
Net assets at end of year	<u>\$ 1,197,682</u>	<u>\$ 2,409,235</u>

**Governmental Activities**

The net assets of the District's governmental activities decreased \$1,211,553. Total governmental expenses of \$17,675,683 were offset by program revenues of \$2,727,838 and general revenues of \$13,736,292. Program revenues supported 15.43% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.76% of total governmental revenue. Real estate property is reappraised every six years.

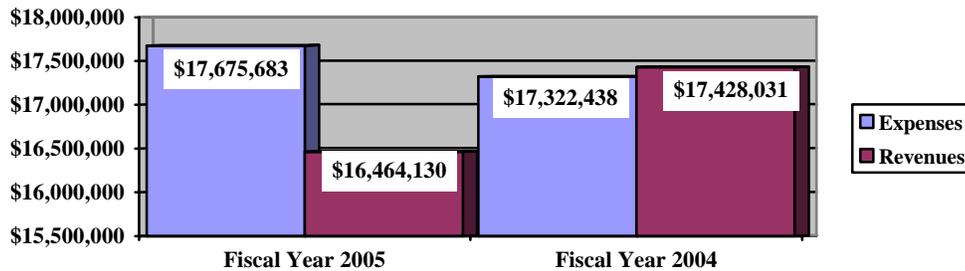
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,105,116 or 57.17% of total governmental expenses for fiscal 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2005.

**Governmental Activities - Revenues and Expenses**



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

	<b>Governmental Activities</b>			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,129,832	\$ 7,411,675	\$ 7,645,551	\$ 7,069,981
Special	1,408,120	1,145,302	1,587,095	1,406,023
Vocational	397,495	397,495	371,623	371,623
Other	169,669	169,669	205,603	205,603
Support services:				
Pupil	344,268	331,983	449,757	447,104
Instructional staff	756,577	328,063	746,325	385,635
Board of education	43,281	43,281	54,847	54,847
Administration	1,399,815	1,333,878	1,331,482	1,256,699
Fiscal	321,911	321,911	329,432	329,432
Business	42,740	42,740	53,057	53,057
Operations and maintenance	1,224,014	1,224,014	1,253,676	1,228,811
Pupil transportation	1,131,638	1,131,638	1,083,366	1,083,366
Central	481,362	459,991	434,558	411,939
Food service operations	754,804	(22,180)	700,716	31,776
Operations of non-instructional services	198,890	(10)	250,624	51,724
Extracurricular activities	736,229	493,357	720,034	432,670
Interest and fiscal charges	135,038	135,038	104,692	104,692
<b>Total expenses</b>	<u>\$ 17,675,683</u>	<u>\$ 14,947,845</u>	<u>\$ 17,322,438</u>	<u>\$ 14,924,982</u>

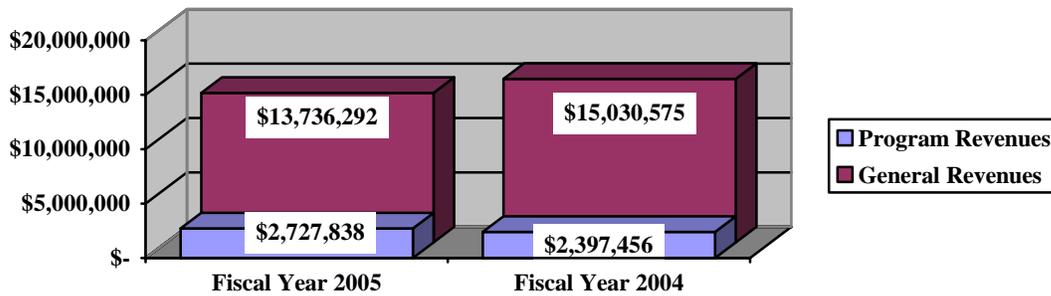
**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The dependence upon tax and other general revenues for governmental activities is apparent, 90.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.57%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$631,315, which is lower than last year's total of \$1,810,906. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ (274,298)	\$ 999,581	\$ (1,273,879)
Permanent improvement	777,874	690,600	87,274
Other Governmental	<u>127,739</u>	<u>120,725</u>	<u>7,014</u>
Total	<u>\$ 631,315</u>	<u>\$ 1,810,906</u>	<u>\$ (1,179,591)</u>

**General Fund**

The District's general fund's fund balance decreased \$1,273,879 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to property tax decreases and an increase in instruction expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 4,621,448	\$ 5,558,780	\$ (937,332)	(16.86) %
Tuition	475,499	288,908	186,591	64.58 %
Earnings on investments	50,259	26,926	23,333	86.66 %
Intergovernmental	8,496,785	8,867,004	(370,219)	(4.18) %
Other revenues	<u>124,692</u>	<u>105,690</u>	<u>19,002</u>	17.98 %
Total	<u>\$ 13,768,683</u>	<u>\$ 14,847,308</u>	<u>\$ (1,078,625)</u>	(7.26) %
<b><u>Expenditures</u></b>				
Instruction	\$ 9,573,935	\$ 9,219,106	\$ 354,829	3.85 %
Support services	4,965,458	5,177,891	(212,433)	(4.10) %
Extracurricular activities	<u>435,230</u>	<u>418,308</u>	<u>16,922</u>	4.05 %
Total	<u>\$ 14,974,623</u>	<u>\$ 14,815,305</u>	<u>\$ 159,318</u>	1.08 %

The most significant increase in revenues occurred in tuition and earnings on investments. The increase in tuition was primarily due to an increase in open enrollment and special education services the District provides to neighboring Districts. The increase in earnings on investment was primarily due to increases in interest rates received on investments. The most significant decrease in revenues occurred in taxes. The decrease was primarily due to less property taxes being available as an advance in fiscal year 2005 then in fiscal year 2004. Overall, expenditures remained consistent with the previous year.

***Permanent Improvement Fund***

The District's permanent improvement fund, fund balance increased by \$87,274. The increase in fund balance can be attributed to decreasing revenues still being more than increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the permanent improvement fund.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Percentage Change
<b><u>Revenues</u></b>			
Taxes	\$ 488,411	\$ 583,309	(16.27) %
Intergovernmental	<u>60,284</u>	<u>59,009</u>	2.16 %
Total	<u>\$ 548,695</u>	<u>\$ 642,318</u>	(14.58) %
<b><u>Expenditures</u></b>			
Instruction	\$ 31,583	\$ 28,715	9.99 %
Support services	68,533	15,377	345.69 %
Facilities acquisition and construction	<u>40,909</u>	<u>76,330</u>	(46.41) %
Total	<u>\$ 141,025</u>	<u>\$ 120,422</u>	17.11 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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Overall , revenues remained consistent with the previous year. The increase in support services while significant stated as a percentage is insignificant as a dollar amount. In total the dollar increase in expenditures was not significant.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2005, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$14,158,191. Actual revenues and other financing sources for fiscal 2005 was \$14,191,579. This represents a \$33,388 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,301,287 were decreased to \$15,221,287 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$15,170,080, which was \$51,207 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$3,448,278 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>Restated 2004</u>
Land	\$ 75,083	\$ 75,083
Land improvements	60,192	74,013
Building and improvements	2,698,810	2,816,158
Furniture and equipment	222,277	351,302
Vehicles	<u>391,916</u>	<u>374,534</u>
Total	<u>\$ 3,448,278</u>	<u>\$ 3,691,090</u>

Total additions to capital assets for 2005 were \$158,333 and total disposals were \$113,848 net of accumulated depreciation. The overall decrease in capital assets of \$242,812 is primarily due to the recording of \$287,297 in depreciation expense for fiscal 2005.

See Note 8 to the basic financial statements for additional information.

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

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

***Debt Administration***

At June 30, 2005, the District had \$2,001,460 in energy conservation notes and tax anticipation notes outstanding. Of this total, \$273,873 is due within one year and \$1,727,587 is due within greater than one year. The following table summarizes the notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2005	Governmental Activities 2004
Energy conservation notes	\$ 379,652	\$ 417,328
Tax anticipation notes	<u>1,621,808</u>	<u>1,843,445</u>
Total	<u>\$ 2,001,460</u>	<u>\$ 2,260,773</u>

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

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

See Note 9 to the basic financial statements for additional information.

**Current Financial Related Activities**

Despite careful spending and the application of over a million dollars in cuts, the Board is placing a \$1.2 million, 3 year, emergency levy on the November 2005 ballot. The five year forecast shows expenditures outpacing revenues and a deficit of \$1,000,000 is predicted at the end of fiscal year 2008. The Board feels presenting practical goals will garner the support of the voters.

Since the District's buildings are in relatively good working condition, textbooks, technology and staffing are a few of the major issues to address. All three components are costly, yet critical elements in the success of the District. All are driven by enrollment, state funding (or lack thereof) and No Child Left Behind (NCLB) requirements. The negotiated agreement with District's certified staff expired June 30, 2005.

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

Meanwhile, as the Board attempts to fulfill unfunded mandates set by NCLB, state funding is being reduced through various legislative mechanisms. The phase-out of inventory taxes is being accelerated. The \$10,000 exemption reimbursement is also phased-out, even though the exemption still exists. Tangible personal property (TPP) taxes are due to be completely eliminated by 2010. State reimbursements will come by direct payment and eventually via the school foundation system as a result of reduced valuation. The District stands to lose approximately \$500,000, which is the total loss of TPP tax revenues less the reduction in charge-off. Administrative fees are taking a bite out of rollback and homestead reimbursements. These losses translate into real dollars for Triway to recoup.

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sue Kruse, Treasurer, Triway Local School District, 3205 Shreve Road, Wooster, Ohio 44691-9491.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,179,445
Receivables:	
Taxes . . . . .	5,462,612
Accounts . . . . .	3,007
Intergovernmental . . . . .	9,058
Materials and supplies inventory . . . . .	27,438
Prepayments . . . . .	51,544
Capital assets:	
Land . . . . .	75,083
Depreciable capital assets, net . . . . .	3,373,195
Capital assets, net. . . . .	3,448,278
 Total assets. . . . .	 11,181,382
 <b>Liabilities:</b>	
Accounts payable. . . . .	6,597
Accrued wages and benefits . . . . .	1,348,103
Pension obligation payable. . . . .	369,407
Intergovernmental payable . . . . .	21,673
Deferred revenue . . . . .	4,940,733
Accrued interest payable . . . . .	26,267
Claims payable . . . . .	19,089
Long-term liabilities:	
Due within one year. . . . .	469,467
Due within more than one year . . . . .	2,782,364
Total liabilities . . . . .	9,983,700
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,446,818
Restricted for:	
Locally funded programs. . . . .	3,236
State funded programs . . . . .	4,585
Federally funded programs. . . . .	116
Student activities . . . . .	54,088
Public school support . . . . .	23,369
Capital projects . . . . .	790,081
Unrestricted (deficit) . . . . .	(1,124,611)
Total net assets . . . . .	\$ 1,197,682

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues				Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 8,129,832	\$ 540,633	\$ 117,240	\$ 60,284		\$ (7,411,675)
Special . . . . .	1,408,120	-	262,818	-		(1,145,302)
Vocational . . . . .	397,495	-	-	-		(397,495)
Other . . . . .	169,669	-	-	-		(169,669)
Support services:						
Pupil . . . . .	344,268	-	12,285	-		(331,983)
Instructional staff . . . . .	756,577	-	428,514	-		(328,063)
Board of education . . . . .	43,281	-	-	-		(43,281)
Administration . . . . .	1,399,815	-	65,937	-		(1,333,878)
Fiscal . . . . .	321,911	-	-	-		(321,911)
Business . . . . .	42,740	-	-	-		(42,740)
Operations and maintenance . . . . .	1,224,014	-	-	-		(1,224,014)
Pupil transportation . . . . .	1,131,638	-	-	-		(1,131,638)
Central . . . . .	481,362	-	21,371	-		(459,991)
Operation of non-instructional services:						
Food service operations . . . . .	754,804	458,073	318,911	-		22,180
Other non-instructional services . . . . .	198,890	-	198,900	-		10
Extracurricular activities . . . . .	736,229	242,872	-	-		(493,357)
Interest and fiscal charges . . . . .	135,038	-	-	-		(135,038)
<b>Total governmental activities . . . . .</b>	<b>\$ 17,675,683</b>	<b>\$ 1,241,578</b>	<b>\$ 1,425,976</b>	<b>\$ 60,284</b>		<b>(14,947,845)</b>
<b>General Revenues:</b>						
Property taxes levied for:						
General purposes . . . . .						4,639,074
Capital projects . . . . .						490,188
Grants and entitlements not restricted to specific programs . . . . .						8,496,785
Investment earnings . . . . .						50,687
Miscellaneous . . . . .						59,558
<b>Total general revenues . . . . .</b>						<b>13,736,292</b>
Change in net assets . . . . .						(1,211,553)
<b>Net assets at beginning of year (restated) . . . . .</b>						<b>2,409,235</b>
<b>Net assets at end of year . . . . .</b>						<b>\$ 1,197,682</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,146,158	\$ 740,453	\$ 163,317	\$ 2,049,928
Receivables:				
Taxes . . . . .	4,939,505	523,107	-	5,462,612
Accounts . . . . .	3,007	-	-	3,007
Intergovernmental . . . . .	9,058	-	-	9,058
Materials and supplies inventory . . . . .	2,177	-	25,261	27,438
Prepayments . . . . .	51,544	-	-	51,544
Total assets . . . . .	<u>\$ 6,151,449</u>	<u>\$ 1,263,560</u>	<u>\$ 188,578</u>	<u>\$ 7,603,587</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 2,382	\$ 348	\$ 3,867	\$ 6,597
Accrued wages and benefits . . . . .	1,316,299	-	31,804	1,348,103
Compensated absences payable . . . . .	158,289	-	-	158,289
Pension obligation payable . . . . .	345,060	-	24,347	369,407
Intergovernmental payable . . . . .	20,852	-	821	21,673
Deferred revenue . . . . .	4,582,865	485,338	-	5,068,203
Total liabilities . . . . .	<u>6,425,747</u>	<u>485,686</u>	<u>60,839</u>	<u>6,972,272</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	45,142	59,139	13,555	117,836
Reserved for materials and supplies inventory . . . . .	2,177	-	25,261	27,438
Reserved for tax revenue unavailable for appropriation . . . . .	356,640	37,769	-	394,409
Reserved for prepayments . . . . .	51,544	-	-	51,544
Unreserved, undesignated, (deficit) reported in:				
General fund . . . . .	(729,801)	-	-	(729,801)
Special revenue funds . . . . .	-	-	88,923	88,923
Capital projects funds . . . . .	-	680,966	-	680,966
Total fund balances (deficit) . . . . .	<u>(274,298)</u>	<u>777,874</u>	<u>127,739</u>	<u>631,315</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,151,449</u>	<u>\$ 1,263,560</u>	<u>\$ 188,578</u>	<u>\$ 7,603,587</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>	\$	631,315
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,448,278
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		127,470
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		110,428
In the statement of activities interest is accrued on outstanding notes, whereas in the governmental funds, interest expenditures are reported when due		(26,267)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,092,082)	
Energy conservation notes	(379,652)	
Tax anticipation notes	(1,621,808)	
Total		(3,093,542)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>1,197,682</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,621,448	\$ 488,411	\$ -	\$ 5,109,859
Tuition. . . . .	475,499	-	-	475,499
Charges for services. . . . .	-	-	458,073	458,073
Earnings on investments. . . . .	50,259	-	428	50,687
Extracurricular. . . . .	-	-	242,872	242,872
Classroom materials and fees . . . . .	65,134	-	-	65,134
Other local revenues. . . . .	59,558	-	82,462	142,020
Intergovernmental - intermediate . . . . .	58,190	-	-	58,190
Intergovernmental - state . . . . .	8,438,595	60,284	279,561	8,778,440
Intergovernmental - federal. . . . .	-	-	1,063,953	1,063,953
Total revenues . . . . .	<u>13,768,683</u>	<u>548,695</u>	<u>2,127,349</u>	<u>16,444,727</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,824,783	31,583	124,966	7,981,332
Special. . . . .	1,187,632	-	263,216	1,450,848
Vocational. . . . .	391,851	-	-	391,851
Other . . . . .	169,669	-	-	169,669
Support services:				
Pupil. . . . .	463,753	-	5,999	469,752
Instructional staff . . . . .	320,606	-	430,755	751,361
Board of education . . . . .	43,281	-	-	43,281
Administration. . . . .	1,183,134	-	62,618	1,245,752
Fiscal . . . . .	309,904	9,079	-	318,983
Business . . . . .	42,740	-	-	42,740
Operations and maintenance. . . . .	1,123,698	59,454	-	1,183,152
Pupil transportation . . . . .	1,021,907	-	-	1,021,907
Central. . . . .	456,435	-	21,456	477,891
Operation of non-instructional services:				
Food service operations . . . . .	-	-	739,197	739,197
Other non-instructional services . . . . .	-	-	198,900	198,900
Extracurricular activities. . . . .	435,230	-	282,542	717,772
Facilities acquisition and construction . . . . .	-	40,909	-	40,909
Debt service:				
Principal retirement . . . . .	-	-	259,313	259,313
Interest and fiscal charges . . . . .	-	-	119,371	119,371
Total expenditures . . . . .	<u>14,974,623</u>	<u>141,025</u>	<u>2,508,333</u>	<u>17,623,981</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,205,940)</u>	<u>407,670</u>	<u>(380,984)</u>	<u>(1,179,254)</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	388,684	388,684
Transfers out . . . . .	(68,288)	(320,396)	-	(388,684)
Total other financing sources (uses) . . . . .	<u>(68,288)</u>	<u>(320,396)</u>	<u>388,684</u>	<u>-</u>
Net change in fund balances . . . . .	(1,274,228)	87,274	7,700	(1,179,254)
<b>Fund balances at</b>				
<b>beginning of year (restated) . . . . .</b>	999,581	690,600	120,725	1,810,906
<b>Increase (decrease) in reserve</b>				
<b>for inventory . . . . .</b>	349	-	(686)	(337)
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (274,298)</u>	<u>\$ 777,874</u>	<u>\$ 127,739</u>	<u>\$ 631,315</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**Net change in fund balances - total governmental funds** \$ (1,179,254)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	158,333	
Current year depreciation		(287,297)	
Total			(128,964)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal (113,848)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 19,403

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, interest is expensed when due (15,667)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (337)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 259,313

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (53,055)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities 856

**Change in net assets of governmental activities** \$ (1,211,553)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,048,018	\$ 5,048,018	\$ 5,057,466	\$ 9,448
Tuition. . . . .	446,419	446,419	475,499	29,080
Earnings on investments. . . . .	25,000	25,000	46,993	21,993
Classroom materials and fees . . . . .	64,000	64,000	65,134	1,134
Other revenue. . . . .	46,983	46,983	57,546	10,563
Intergovernmental - intermediate . . . . .	116,000	116,000	58,190	(57,810)
Intergovernmental - state . . . . .	8,411,671	8,411,671	8,429,536	17,865
Total revenues . . . . .	<u>14,158,091</u>	<u>14,158,091</u>	<u>14,190,364</u>	<u>32,273</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,784,160	7,743,462	7,732,596	10,866
Special. . . . .	1,257,425	1,250,851	1,249,189	1,662
Vocational. . . . .	397,079	395,003	392,333	2,670
Other . . . . .	187,019	186,041	186,042	(1)
Support Services:				
Pupil. . . . .	472,235	469,766	464,627	5,139
Instructional staff . . . . .	344,058	342,259	340,685	1,574
Board of education . . . . .	55,033	54,745	48,766	5,979
Administration. . . . .	1,208,177	1,201,860	1,198,903	2,957
Fiscal . . . . .	323,469	321,778	321,773	5
Business . . . . .	43,518	43,290	42,740	550
Operations and maintenance. . . . .	1,206,024	1,199,719	1,185,678	14,041
Pupil transportation . . . . .	1,047,846	1,042,368	1,041,391	977
Central. . . . .	467,095	464,653	461,838	2,815
Extracurricular activities. . . . .	439,401	437,104	435,231	1,873
Total expenditures . . . . .	<u>15,232,539</u>	<u>15,152,899</u>	<u>15,101,792</u>	<u>51,107</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,074,448)</u>	<u>(994,808)</u>	<u>(911,428)</u>	<u>83,380</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	100	100	1,215	1,115
Refund of prior year receipts . . . . .	(101)	(100)	-	100
Transfers (out) . . . . .	(68,647)	(68,288)	(68,288)	-
Total other financing sources (uses) . . . . .	<u>(68,648)</u>	<u>(68,288)</u>	<u>(67,073)</u>	<u>1,215</u>
Net change in fund balance . . . . .	(1,143,096)	(1,063,096)	(978,501)	84,595
<b>Fund balance at beginning of year. . . . .</b>	<b>2,040,955</b>	<b>2,040,955</b>	<b>2,040,955</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>33,348</b>	<b>33,348</b>	<b>33,348</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 931,207</u></u>	<u><u>\$ 1,011,207</u></u>	<u><u>\$ 1,095,802</u></u>	<u><u>\$ 84,595</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 129,517
Total assets . . . . .	<u>129,517</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>19,089</u>
Total liabilities . . . . .	<u>19,089</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>110,428</u>
Total net assets . . . . .	<u><u>\$ 110,428</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 139,562
Total operating revenues . . . . .	139,562
 <b>Operating expenses:</b>	
Claims . . . . .	127,519
Administrative services . . . . .	11,187
Total operating expenses . . . . .	138,706
 Change in net assets. . . . .	856
 <b>Net assets at beginning of year . . . . .</b>	<b>109,572</b>
 <b>Net assets at end of year . . . . .</b>	<b>\$ 110,428</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 139,562
Cash payments for claims . . . . .	(127,273)
Cash payments for administrative services . . . . .	(11,187)
	1,102
Net cash provided by operating activities . . . . .	1,102
Net increase in cash and cash equivalents . . . . .	1,102
<b>Cash and cash equivalents at beginning of year . .</b>	<b>128,415</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 129,517</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 856
Changes in assets and liabilities:	
Increase in claims payable . . . . .	246
	1,102
Net cash provided by operating activities . . . . .	<b>\$ 1,102</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 34,821
Total assets . . . . .	\$ 34,821
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 545
Deposits held and due to others. . . . .	8,187
Due to students . . . . .	26,089
Total liabilities . . . . .	\$ 34,821

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**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 Plaid 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 93 non-certified and 153 (including administrative) certified full-time and part-time employees to provide services to approximately 2,081 students in grades K through 12 and various community groups, which ranks it 266 out of approximately 614 public school districts in Ohio.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Midland Council of Governments

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

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

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

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

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

**PROPRIETARY FUND**

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

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

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

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

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

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

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

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

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

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

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

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2005 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.

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

2. By no later than January 20, the board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

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

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

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$50,259, which includes \$19,182 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

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

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

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

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

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

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

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

**K. Fund Balance Reserves**

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

**L. Operating Revenues and Expenses**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

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

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

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

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

**A. Change In Accounting Principle**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2005:

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

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 1,124,526	\$ 690,600	\$ 144,288	\$ 1,959,414
GASB Technical Bulletin No. 2004-2	<u>(124,945)</u>	<u>-</u>	<u>(23,563)</u>	<u>(148,508)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 999,581</u>	<u>\$ 690,600</u>	<u>\$ 120,725</u>	<u>\$ 1,810,906</u>

**B. Restatement of Net Assets**

The beginning net assets of the governmental activities have been restated due to errors and omissions reported in capital assets at June 30, 2005.

	<u>Governmental Activities</u>
Net assets, June 30, 2004	\$ 2,301,296
Adjustment for capital assets	<u>107,939</u>
Restated net assets, July 1, 2005	<u>\$ 2,409,235</u>

**C. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General fund	\$ 274,298
<u>Nonmajor Funds</u>	
Management Information System	9
Summer Intervention	46
Title VI-B	30
Title I	83
Title VI	24
Improving Teacher Quality	26

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$1,812,279. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,512,424 of the District's bank balance of \$1,900,383 was exposed to custodial risk as discussed below, while \$387,959 was covered by Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 397,987	\$ 397,987
	<u>\$ 397,987</u>	<u>\$ 397,987</u>

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 397,987	100.00
Total	<u>\$ 397,987</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>		
Carrying amount of deposits	\$ 1,812,279	
Investments	397,987	
Cash on hand	<u>4,000</u>	
Total	<u>\$ 2,214,266</u>	
 <u>Cash and investments per Statement of Net Assets</u>		
Governmental activities	\$ 2,179,445	
Agency funds	<u>34,821</u>	
Total	<u>\$ 2,214,266</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 68,288
Permanent Improvement Fund	320,396

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$356,640 in the general fund and \$37,769 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$787,766 in the general fund and \$84,151 in the permanent improvement fund.

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

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

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

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

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

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 191,076,680	85.87	\$ 195,824,600	86.57
Public utility personal	10,120,980	4.55	10,306,400	4.56
Tangible personal property	<u>21,316,133</u>	<u>9.58</u>	<u>20,068,286</u>	<u>8.87</u>
Total	<u>\$ 222,513,793</u>	<u>100.00</u>	<u>\$ 226,199,286</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 44.20		\$ 44.20	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 5,462,612
Accounts	3,007
Intergovernmental	<u>9,058</u>
Total	<u>\$ 5,474,677</u>

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the government activities have been restated due to errors and omissions in the previous year. See Note 3.B. for detail:

	Balance <u>06/30/04</u>	<u>Adjustments</u>	Restated Balance <u>06/30/04</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 75,083	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	844,968	-	844,968
Buildings and improvements	6,903,995	-	6,903,995
Furniture and equipment	946,797	-	946,797
Vehicles	<u>1,365,364</u>	<u>(60,258)</u>	<u>1,305,106</u>
Total capital assets, being depreciated	<u>10,061,124</u>	<u>(60,258)</u>	<u>10,000,866</u>
<i>Less: accumulated depreciation</i>	<u>(6,553,056)</u>	<u>168,197</u>	<u>(6,384,859)</u>
Governmental activities capital assets, net	<u>\$ 3,583,151</u>	<u>\$ 107,939</u>	<u>\$ 3,691,090</u>

- B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/05</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,083	\$ -	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	844,968	-	-	844,968
Buildings and improvements	6,903,995	-	-	6,903,995
Furniture and equipment	946,797	32,872	(229,179)	750,490
Vehicles	<u>1,305,106</u>	<u>125,461</u>	<u>-</u>	<u>1,430,567</u>
Total capital assets, being depreciated	<u>10,000,866</u>	<u>158,333</u>	<u>(229,179)</u>	<u>9,930,020</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(770,955)	(13,821)	-	(784,776)
Buildings and improvements	(4,087,837)	(117,348)	-	(4,205,185)
Furniture and equipment	(595,495)	(48,049)	115,331	(528,213)
Vehicles	<u>(930,572)</u>	<u>(108,079)</u>	<u>-</u>	<u>(1,038,651)</u>
Total accumulated depreciation	<u>(6,384,859)</u>	<u>(287,297)</u>	<u>115,331</u>	<u>(6,556,825)</u>
Governmental activities capital assets, net	<u>\$ 3,691,090</u>	<u>\$ (128,964)</u>	<u>\$ (113,848)</u>	<u>\$ 3,448,278</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 108,013
Vocational	580
<u>Support Services:</u>	
Administration	10,118
Fiscal	1,819
Operations and Maintenance	24,849
Pupil Transportation	110,496
Central	3,630
Extracurricular Activities	18,457
Food Service Operation	<u>9,335</u>
Total depreciation expense	<u>\$ 287,297</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. Payments of principal and interest relating to these notes as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2005:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 06/30/04</u>	<u>Issued in Fiscal 2005</u>	<u>Retired in Fiscal 2005</u>	<u>Balance 06/30/05</u>
Energy conservation note	6.05%	05/20/92	05/18/13	\$ 417,328	\$ -	\$ (37,676)	\$ 379,652
Total				<u>\$ 417,328</u>	<u>\$ -</u>	<u>\$ (37,676)</u>	<u>\$ 379,652</u>

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

<u>Year Ending June 30</u>	<u>Energy Conservation Notes</u>
2006	\$ 58,288
2007	58,287
2008	58,287
2009	58,287
2010	58,288
2011-2013	<u>174,862</u>
Total	466,299
Less: interest	<u>(86,647)</u>
Total principal	<u>\$ 379,652</u>

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

- B.** 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. A summary of the tax anticipation notes activity in fiscal 2005 follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 06/30/04</u>	<u>Issued in Fiscal 2005</u>	<u>Retired in Fiscal 2005</u>	<u>Balance 06/30/05</u>
Tax anticipation notes	5.70%	07/12/00	07/12/10	\$ 1,843,445	\$ -	\$ (221,637)	\$ 1,621,808
<b>Total</b>				<u>\$ 1,843,445</u>	<u>\$ -</u>	<u>\$ (221,637)</u>	<u>\$ 1,621,808</u>

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>
2006	\$ 320,036
2007	319,655
2008	319,254
2009	318,828
2010	318,379
2011	<u>317,904</u>
<b>Total</b>	1,914,056
Less: interest	<u>(292,248)</u>
<b>Total principal</b>	<u>\$ 1,621,808</u>

During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/05</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
Tax anticipation notes	\$ 1,843,445	\$ -	\$ (221,637)	\$ 1,621,808	\$ 234,270
Energy conservation notes	417,328	-	(37,676)	379,652	39,603
Compensated absences	<u>1,104,367</u>	<u>254,976</u>	<u>(108,972)</u>	<u>1,250,371</u>	<u>195,594</u>
<b>Total long-term obligations, governmental activities</b>	<u>\$ 3,365,140</u>	<u>\$ 254,976</u>	<u>\$ (368,285)</u>	<u>\$ 3,251,831</u>	<u>\$ 469,467</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 effects of these debt limitations at June 30, 2005 are a voted debt margin of \$20,357,936 and an unvoted debt margin of \$226,499 and an unvoted energy conservation debt margin of \$1,656,142.

**NOTE 10 - RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for dental benefits offered to employees. Under this program, the Self Insurance fund provides coverage for each claim, capped at \$130,000 annually for all claims. The plan is administered by Mutual Health Services, Inc. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss, including health, life, fleet, property and casualty, and district-wide liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in the amounts of insurance coverage from fiscal 2004.

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 2005, 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 \$19,089 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, 2005.

The claims liability of \$19,089 reported in the fund at June 30, 2005, 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>
2005	\$ 18,843	\$ 127,519	\$ (127,273)	\$ 19,089
2004	19,590	130,913	(131,660)	18,843

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

The District retains all reserves, in anticipation of future claims. For the fiscal 2005 plan year, the District's reserves amounted to over \$129,000.

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

**B. Workers' Compensation**

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides 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, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. 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, 2005, 2004, and 2003 were \$271,335, \$274,242 and \$283,844, respectively; 46.42% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$145,392 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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

**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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,102,998, \$1,071,582, and \$1,024,405, respectively; 83.50% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$181,972 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,740 made by the District and \$13,155 made by plan members.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through 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% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$78,786 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2005, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$90,040 during the 2005 fiscal year.

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

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

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (978,501)
Net adjustment for revenue accruals	(421,681)
Net adjustment for expenditure accruals	80,079
Net adjustment for other sources/uses	(1,215)
Adjustment for encumbrances	<u>47,090</u>
GAAP basis	<u>\$ (1,274,228)</u>

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

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (239,810)	\$ (3,789,205)
Current year set-aside requirement	296,315	296,315
Qualifying disbursements	<u>(351,152)</u>	<u>(463,683)</u>
Total	<u>\$ (294,647)</u>	<u>\$ (3,956,573)</u>
Balance carried forward to FY 2006	<u>\$ (294,647)</u>	<u>\$ (3,956,573)</u>

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

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

**NOTE 15 - STATUTORY RESERVES - (Continued)**

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

## **SUPPLEMENTAL DATA**

**TRIWAY LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Donation	10.550	N/A	\$ -	\$ 97,355	\$ -	\$ 97,355
(A),(C) School Breakfast Program	10.553	050591-05PU-2004	859	-	859	-
(A),(C) School Breakfast Program	10.553	050591-05PU-2005	11,799	-	11,799	-
(A),(C) School Breakfast Program	10.553	050591-05RE-2004	2,250	-	2,250	-
(A),(C) National School Lunch Program	10.555	050591-LLP4-2004	47,559	-	47,559	-
(A),(C) National School Lunch Program	10.555	050591-LLP4-2005	150,202	-	150,202	-
(A),(C) School Milk Program	10.556	050591-02PU-2004	1,141	-	1,141	-
(A),(C) School Milk Program	10.556	050591-02PU-2005	3,039	-	3,039	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>216,849</u>	<u>97,355</u>	<u>216,849</u>	<u>97,355</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	050591-C1-S1-2004	174,366		174,366	
Title I - Grants to Local Educational Agencies	84.010	050591-C1-S1-2005	30,666		30,666	
<b>Total Title I</b>			<u>205,032</u>		<u>205,032</u>	
Special Education - Grants to States	84.027	050591-6B-SF-2004-P	-		5,795	
Special Education - Grants to States	84.027	050591-6B-SF-2005	451,855		451,738	
<b>Total Special Education - Grants to States</b>			<u>451,855</u>		<u>457,533</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	050591-DR-S1-2004	-		61	
Safe and Drug-Free Schools and Communities - State Grants	84.186	050591-DR-S1-2005	8,056		7,891	
<b>Total Safe and Drug-Free Schools and Communities - State Grants</b>			<u>8,056</u>		<u>7,952</u>	
State Grants for Innovative Programs	84.298	050591-C2-S1-2005	34,444		34,444	
Education Technology State Grants	84.318	050591-TF-S1-2005	5,655		5,655	
Improving Teacher Quality State Grants	84.367	050591-TR-S1-2005	48,438		48,438	
<b>Total U.S. Department of Education</b>			<u>753,480</u>		<u>759,054</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
(E) Medical Assistance Program	93.778	N/A	35,947		35,947	
<b>Total U.S. Department of Health and Human Services</b>			<u>35,947</u>		<u>35,947</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 1,006,276</u>	<u>\$ 97,355</u>	<u>\$ 1,011,850</u>	<u>\$ 97,355</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
(B) The Food Donation 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.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District as of and for the fiscal year ended June 30, 2005, which collectively comprise the Triway Local School District's basic financial statements and have issued our report thereon dated December 1, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the District has presented a prior period adjustment to restate net assets at July 1, 2004 due to correction of error in capital assets, which is described in more detail in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Triway Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Triway Local School District in a separate letter dated December 1, 2005.

Board of Education  
Triway Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Triway Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Triway Local School District in a separate letter dated December 1, 2005.

This report is intended solely for the information and use of the management and Board of Education of the 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 1, 2005



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the District has presented a prior period adjustment to restate net assets at July 1, 2004 due to correction of error in capital assets, which is described in more detail in Note 3. 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 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.

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, 2005.

Board of Education  
Triway Local School District

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 solely 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 1, 2005

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2005**

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

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

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2005**

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

None.

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

None.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**TRIWAY LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 19, 2006**