

**TRIAD LOCAL
SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

MAUREEN SCOTT, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Triad Local School District
7920 Brush Lake Road
North Lewisburg, Ohio 43060

We have reviewed the *Independent Auditor's Report* of the Triad Local School District, Champaign County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Triad Local School District is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

December 21, 2006

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Triad Local School District
7920 Brush Lake Rd.
North Lewisburg, Ohio 43060

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Triad 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 Triad Local School District, Champaign County, Ohio, as of June 30, 2006, and the respective changes in financial position 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, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of the District's internal control over financial reporting and on 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
Triad Local School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by 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.

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

Julian & Grube, Inc.
October 24, 2006

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Triad 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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$53,996 which represents a 0.39% increase from 2005.
- General revenues accounted for \$8,327,785 in revenue or 85.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,463,322 or 14.95% of total revenues of \$9,791,107.
- The District had \$9,737,111 in expenses related to governmental activities; \$1,463,322 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 \$8,327,785 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$8,591,957 in revenues and \$8,236,713 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$355,244 from a deficit of \$59,827 to a balance of \$295,417.
- The debt service fund had \$2,954,827 in revenues and other financing sources and \$2,953,755 in expenditures and other financing uses. During fiscal year 2006, the debt service fund's fund balance increased \$1,072 from \$149,275 to \$150,347.

Using these Basic Financial Statements

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 debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* 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 debt service 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets on pages 21 and 22. 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 23-51 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2006.

	Net Assets
	Governmental Activities <u>2006</u>
<u>Assets</u>	
Current and other assets	\$ 3,523,165
Capital assets	<u>18,565,468</u>
Total assets	<u>22,088,633</u>
<u>Liabilities</u>	
Current liabilities	2,681,350
Long-term liabilities	<u>5,472,276</u>
Total liabilities	<u>8,153,626</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	13,732,347
Restricted	381,387
Unrestricted (deficit)	<u>(178,727)</u>
Total net assets	<u>\$ 13,935,007</u>

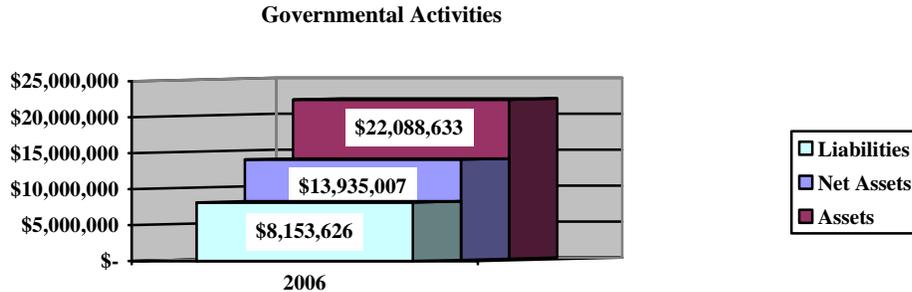
**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$13,935,007. Of this total, \$381,387 is restricted in use.

At year-end, capital assets represented 84.05% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$13,732,347. 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, \$381,387, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$178,727.



The table below shows the change in net assets for fiscal year 2006. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2005 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2006</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 923,680
Operating grants and contributions	526,714
Capital grants and contributions	12,928
General revenues:	
Property taxes	1,670,487
School District income tax	1,106,252
Grants and entitlements	5,482,821
Investment earnings	51,312
Other	<u>16,913</u>
Total revenues	<u>9,791,107</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Change in Net Assets

	Governmental Activities <u>2006</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 3,993,290
Special	938,262
Vocational	189,307
Support services:	
Pupil	379,848
Instructional staff	173,300
Board of education	44,220
Administration	790,363
Fiscal	258,011
Operations and maintenance	982,160
Pupil transportation	643,377
Central	198,093
Food service operations	491,697
Extracurricular activities	377,296
Interest and fiscal charges	<u>277,887</u>
Total expenses	<u>9,737,111</u>
Change in net assets	53,996
Net assets at beginning of year (restated)	<u>13,881,011</u>
Net assets at end of year	<u><u>\$ 13,935,007</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$53,996. Total governmental expenses of \$9,737,111 were offset by program revenues of \$1,463,322 and general revenues of \$8,327,785. Program revenues supported 15.03% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 84.36% of total governmental revenue.

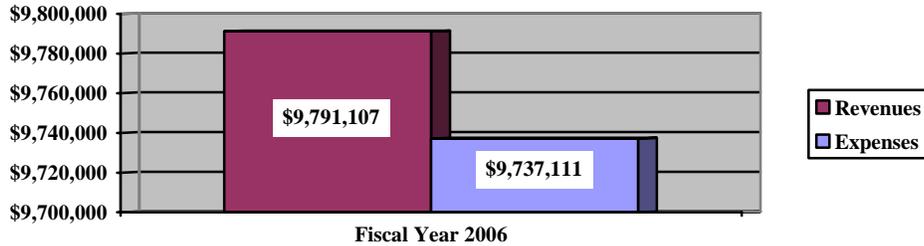
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,120,859 or 52.59% of total governmental expenses for fiscal 2006.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2005 have not been presented since they are not available.

Governmental Activities

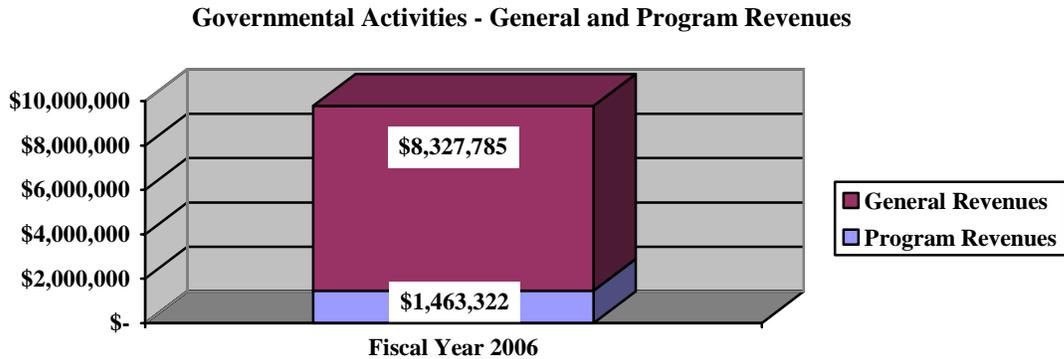
	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses		
Instruction:		
Regular	\$ 3,993,290	\$ 3,510,048
Special	938,262	674,174
Vocational	189,307	189,307
Support services:		
Pupil	379,848	377,843
Instructional staff	173,300	166,909
Board of education	44,220	44,220
Administration	790,363	737,862
Fiscal	258,011	257,905
Operations and maintenance	982,160	974,917
Pupil transportation	643,377	643,377
Central	198,093	184,093
Food service operations	491,697	119,444
Extracurricular activities	377,296	115,803
Interest and fiscal charges	277,887	277,887
Total expenses	<u>\$ 9,737,111</u>	<u>\$ 8,273,789</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 85.41% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.97%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue for fiscal year 2006.



The District's Funds

The District's governmental funds reported a combined fund balance of \$709,412, which is higher than last year's total of \$304,731. The June 30, 2005 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, 2006 and 2005.

	Fund Balance June 30, 2006	Restated Fund Balance June 30, 2005	Increase (Decrease)	Percentage Change
General	\$ 295,417	\$ (59,827)	\$ 355,244	593.79 %
Debt Service	150,347	149,275	1,072	0.72 %
Other Governmental	<u>263,648</u>	<u>215,283</u>	<u>48,365</u>	22.47 %
Total	<u>\$ 709,412</u>	<u>\$ 304,731</u>	<u>\$ 404,681</u>	132.80 %

General Fund

The District's general fund balance increased \$355,244 (after a restatement to the June 30, 2005, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to higher revenues than expenditures. Revenues exceed expenditures for fiscal year 2006 by \$519,289. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	2006	2005		
	<u>Amount</u>	Cash Basis	Increase	Percentage
		<u>Amount</u>	(Decrease)	Change
<u>Revenues</u>				
Taxes	\$ 2,597,856	\$ 2,527,176	\$ 70,680	2.80 %
Tuition	321,020	267,912	53,108	19.82 %
Earnings on investments	50,124	20,516	29,608	144.32 %
Intergovernmental	5,456,758	5,100,892	355,866	6.98 %
Other revenues	<u>166,199</u>	<u>63,128</u>	<u>103,071</u>	163.27 %
Total	<u>\$ 8,591,957</u>	<u>\$ 7,979,624</u>	<u>\$ 612,333</u>	7.67 %
<u>Expenditures</u>				
Instruction	\$ 4,485,040	\$ 4,234,966	\$ 250,074	5.90 %
Support services	3,267,872	3,158,128	109,744	3.47 %
Extracurricular activities	222,961	193,208	29,753	15.40 %
Facilities acquisition and construction	20,188	-	20,188	100.00 %
Debt service	<u>76,607</u>	<u>-</u>	<u>76,607</u>	100.00 %
Total	<u>\$ 8,072,668</u>	<u>\$ 7,586,302</u>	<u>\$ 486,366</u>	6.41 %

Debt Service Fund

The debt service fund had \$2,954,827 in revenues and other financing sources and \$2,953,755 in expenditures and other financing uses. During fiscal year 2006, the debt service fund's fund balance increased \$1,072 from a balance of \$149,275 to a balance of \$150,347.

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$8,186,524 were increased to \$8,718,148 in the final budget. Actual revenues and other financing sources for fiscal 2006 was \$8,712,422. This represents a \$525,898 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,082,664 were increased to \$8,602,362 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$8,523,079, which was \$79,283 less than the final budget appropriations.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$18,565,468 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 2006 balances compared to 2005:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 414,157	\$ 414,157
Land improvements	65,411	67,268
Building and improvements	17,617,328	18,016,116
Furniture and equipment	297,603	386,920
Vehicles	170,969	143,914
Total	\$ 18,565,468	\$ 19,028,375

The overall decrease in capital assets of \$462,907 is due to depreciation expense of \$526,909 exceeding capital outlays of \$64,002.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006 the District had \$2,766,173 in general obligation bonds outstanding. The issue is comprised of current issue bonds and capital appreciation bonds. Of this total, \$160,000 is due within one year and \$2,606,173 is due within greater than one year. The District also has \$63,119 in capital lease obligations and \$2,205,000 in a lease purchase agreement. Of these amounts, \$101,119 is due within one year and \$2,167,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General Obligation Bonds	\$ 2,766,173	\$ 2,837,102
Capital lease obligation	63,119	133,203
Lease purchase agreement	2,205,000	2,241,000
Total	\$ 5,034,292	\$ 5,211,305

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Current Financial Related Activities

The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy mileage amounts needed periodically from the community's citizens. Triad, like most other districts, faces many challenges in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property taxes, Income taxes (1% continuing and 1/2% for a five-year term) and Unrestricted State Aid. These three areas of revenue accounted for 93.78% of the General Fund Revenue in fiscal year 2006 with Unrestricted State Aid providing the largest percentage of the three. Locally Triad has very little industry within the school district boundaries, which makes the Income tax and the Real Estate Property tax even more vital to the school's operation and existence. Fortunately the voters of the District have been very supportive and in May 2005 passed a 1/2% income tax for a five year period beginning in January 2006. The continued renewal of this 1/2% income tax will remain a high priority for the future of this District.

In addition to maintaining the Five-Year Forecast as required the District has developed District Improvement Goals: 1. Triad Local Schools will close the gap between current reading achievement levels and the expected performance on key end of the year assessments, 2. Triad Local Schools will close the gap between current mathematics achievement levels and the expected performance on key end of the year assessments, 3. Respect for others, self and property will be overtly taught, modeled and demonstrated in all buildings by the end of the school year, and 4. All staff will develop and implement a job specific growth plan annually. The mission of the District is "successful learning today – productive living tomorrow." Our District belief statements include: 1. Provide a safe, non-threatening learning environment; 2. Provide access to rigorous curriculum through differentiated instruction; 3. Provide opportunities for social development; 4. Develop the ability to problem solve individually and cooperatively; and 5. Equip students with the skills and strategies to achieve their potential.

In an effort to reduce cost during fiscal year 2006 and future years the District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. All areas of expense are reviewed for possible changes and reductions including staffing. When any Triad staff member leave's the District due to retirement or for any reason the current administration is looking at all possible alternatives before hiring someone to replace that employee. In previous years Triad has reduced spending in the supply and equipment areas, however, due to increases in fuel costs we are aware those costs will be increasing for future years. A major area of concern for future fiscal years is the rising utility cost including electricity, natural gas, and bus fuel. Increases are ranging 25% to 35 % for this area of expense and will create a negative impact to the District.

Since the District relies on the State for approximately 59% of the general operating revenues, one of the largest challenges facing the District, is state funding which the District has very little control over. Several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. There is concern that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. HB 66 the new State Budget document for Fiscal Years 2006 and 2007 has not provided a very encouraging outlook. HB66 calls for the phase out and elimination of the Cost of Doing Business Factor and the Tangible Personal Property Tax. The State is eliminating the Tangible Personal Property Tax in anticipation of attracting new industries and business owners to Ohio, which will create new tax revenues for the State and the schools. Hopefully this anticipation is realistic and schools will see a positive impact.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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: Mrs. Maureen Scott, Treasurer, Triad Local School District, 7920 Brush Lake Rd, North Lewisburg, Ohio 43060.

**BASIC
FINANCIAL STATEMENTS**

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,030,260
Receivables:	
Taxes	2,398,039
Accounts	3,086
Intergovernmental	14,036
Accrued interest	31
Materials and supplies inventory	3,736
Unamortized bond issue costs.	73,977
Capital assets:	
Land	414,157
Depreciable capital assets, net	18,151,311
Total capital assets, net.	18,565,468
 Total assets	 22,088,633
 Liabilities:	
Accounts payable.	66,773
Accrued wages and benefits	618,644
Pension obligation payable.	185,110
Intergovernmental payable	72,958
Deferred revenue	1,731,032
Accrued interest payable	6,833
Long-term liabilities:	
Due within one year.	301,239
Due in more than one year	5,171,037
 Total liabilities	 8,153,626
 Net Assets:	
Invested in capital assets, net of related debt.	13,732,347
Restricted for:	
Capital projects	43,818
Debt service.	141,931
Classroom facilities maintenance	101,160
State funded programs	10,176
Federally funded programs	21,193
Student activities	52,109
Other purposes	11,000
Unrestricted.	(178,727)
 Total net assets	 \$ 13,935,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Program Revenues</u>			<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction:					
Regular	\$ 3,993,290	\$ 348,804	\$ 121,510	\$ 12,928	\$ (3,510,048)
Special	938,262	12,065	252,023	-	(674,174)
Vocational	189,307	-	-	-	(189,307)
Support services:					
Pupil.	379,848	-	2,005	-	(377,843)
Instructional staff	173,300	-	6,391	-	(166,909)
Board of education	44,220	-	-	-	(44,220)
Administration.	790,363	49,185	3,316	-	(737,862)
Fiscal.	258,011	-	106	-	(257,905)
Operations and maintenance	982,160	3,390	3,853	-	(974,917)
Pupil transportation	643,377	-	-	-	(643,377)
Central.	198,093	-	14,000	-	(184,093)
Food service operations	491,697	248,743	123,510	-	(119,444)
Extracurricular activities	377,296	261,493	-	-	(115,803)
Interest and fiscal charges	277,887	-	-	-	(277,887)
Totals	<u>\$ 9,737,111</u>	<u>\$ 923,680</u>	<u>\$ 526,714</u>	<u>\$ 12,928</u>	<u>(8,273,789)</u>
General Revenues:					
Property taxes levied for:					
General purposes					1,448,375
Classroom facilities maintenance.					29,658
Debt service					192,454
School district income tax					1,106,252
Grants and entitlements not restricted to specific programs					5,482,821
Investment earnings					51,312
Miscellaneous					16,913
Total general revenues.					<u>8,327,785</u>
Change in net assets					53,996
Net assets, July 1 (restated)					<u>13,881,011</u>
Net assets, June 30					<u>\$ 13,935,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 613,915	\$ 130,653	\$ 285,692	\$ 1,030,260
Receivables:				
Taxes	2,111,104	248,764	38,171	2,398,039
Accounts	180	-	2,906	3,086
Intergovernmental	-	-	14,036	14,036
Accrued interest	31	-	-	31
Interfund loans	299	-	-	299
Materials and supplies inventory	-	-	3,736	3,736
Total assets	<u>\$ 2,725,529</u>	<u>\$ 379,417</u>	<u>\$ 344,541</u>	<u>\$ 3,449,487</u>
Liabilities:				
Accounts payable	\$ 64,263	\$ -	\$ 2,510	\$ 66,773
Accrued wages and benefits	595,131	-	23,513	618,644
Compensated absences payable	7,952	-	-	7,952
Pension obligation payable	169,313	-	15,797	185,110
Intergovernmental payable	70,650	-	2,308	72,958
Interfund loan payable	-	-	299	299
Deferred revenue	1,522,803	229,070	36,466	1,788,339
Total liabilities	<u>2,430,112</u>	<u>229,070</u>	<u>80,893</u>	<u>2,740,075</u>
Fund Balances:				
Reserved for encumbrances	-	-	12,582	12,582
Reserved for materials and supplies inventory	-	-	3,736	3,736
Reserved for property tax unavailable for appropriation	144,016	19,694	2,543	166,253
Reserved for debt service	-	130,653	-	130,653
Unreserved, undesignated, reported in:				
General fund	151,401	-	-	151,401
Special revenue funds	-	-	200,969	200,969
Capital projects funds	-	-	43,818	43,818
Total fund balances	<u>295,417</u>	<u>150,347</u>	<u>263,648</u>	<u>709,412</u>
Total liabilities and fund balances	<u>\$ 2,725,529</u>	<u>\$ 379,417</u>	<u>\$ 344,541</u>	<u>\$ 3,449,487</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 709,412
<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.		18,565,468
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 56,865	
Intergovernmental revenue	442	
Total	57,307	57,307
Unamortized deferred charges on refundings are not recognized in the funds.		151,553
Unamortized premiums on bond issuance is not recognized in the funds.		(225,538)
Unamortized bond issuance costs are not recognized in the funds.		73,977
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,833)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,766,173)	
Capital lease obligation	(63,119)	
Lease purchase agreement	(2,205,000)	
Compensated absences	(356,047)	
Total	(5,390,339)	(5,390,339)
Net assets of governmental activities		\$ 13,935,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,597,856	\$ 198,463	\$ 30,636	\$ 2,826,955
Tuition.	321,020	-	-	321,020
Charges for services	-	-	248,743	248,743
Classroom materials and fees	34,870	-	2,819	37,689
Earnings on investments.	50,124	-	1,188	51,312
Extracurricular.	111,026	-	172,822	283,848
Other local revenues.	20,303	-	28,990	49,293
Intergovernmental - state	5,456,758	26,063	77,784	5,560,605
Intergovernmental - federal.	-	-	461,416	461,416
Total revenues	<u>8,591,957</u>	<u>224,526</u>	<u>1,024,398</u>	<u>9,840,881</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,600,627	-	114,386	3,715,013
Special.	695,247	-	242,222	937,469
Vocational.	189,166	-	-	189,166
Support Services:				
Pupil.	376,711	-	1,893	378,604
Instructional staff	158,459	-	5,332	163,791
Board of education	44,220	-	-	44,220
Administration.	731,328	-	54,021	785,349
Fiscal	262,223	5,381	837	268,441
Operations and maintenance.	847,686	-	34,201	881,887
Pupil transportation	669,456	-	-	669,456
Central.	177,789	-	19,691	197,480
Food service operations	-	-	342,072	342,072
Extracurricular activities.	222,961	-	152,774	375,735
Facilities acquisition and construction	20,188	-	8,604	28,792
Debt service:				
Principal retirement	70,084	146,000	-	216,084
Interest and fiscal charges	6,523	236,119	-	242,642
Bond issuance costs	-	75,855	-	75,855
Total expenditures	<u>8,072,668</u>	<u>463,355</u>	<u>976,033</u>	<u>9,512,056</u>
Excess of revenues over (under) expenditures	519,289	(238,829)	48,365	328,825
Other financing sources (uses):				
Premium on bonds sold	-	231,262	-	231,262
Sale of bonds	-	2,334,994	-	2,334,994
Payment to refunded bond escrow agent	-	(2,490,400)	-	(2,490,400)
Transfers in.	-	164,045	-	164,045
Transfers (out)	(164,045)	-	-	(164,045)
Total other financing sources (uses)	<u>(164,045)</u>	<u>239,901</u>	<u>-</u>	<u>75,856</u>
Net change in fund balances	355,244	1,072	48,365	404,681
Fund balances (deficit),				
July 1 (restated)	<u>(59,827)</u>	<u>149,275</u>	<u>215,283</u>	<u>304,731</u>
Fund balances, June 30	<u>\$ 295,417</u>	<u>\$ 150,347</u>	<u>\$ 263,648</u>	<u>\$ 709,412</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN 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, 2006

Net change in fund balances - total governmental funds	\$	404,681
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 64,002	
Current year depreciation	<u>(526,909)</u>	
Total		(462,907)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(50,216)	
Intergovernmental revenue	<u>442</u>	
Total		(49,774)
Repayment of bond, lease purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		216,084
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		2,335,000
The issuance of refunding bonds are recorded as an other financing source in the governmental funds funds; however, the proceeds increase long-term liabilities on the statement net assets.		
		(2,334,994)
Premiums on refunding bonds are recongnized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		(225,538)
Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		73,977
Deferred charges on refundings are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		151,553
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Decrease in accrued interest payable	3,833	
Accreted interest on capital appreciation bonds	<u>(39,077)</u>	
Total		(35,244)
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.		
		<u>(18,842)</u>
Change in net assets of governmental activities	\$	<u>53,996</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN 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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,460,645	\$ 2,620,515	\$ 2,620,515	\$ -
Tuition	301,435	321,020	321,020	-
Classroom materials and fees	32,630	34,750	34,870	120
Earnings on investments	45,823	48,800	48,800	-
Extracurricular	104,145	110,911	110,911	-
Other local revenue	18,945	19,913	20,238	325
Intergovernmental - state	5,129,650	5,462,929	5,456,758	(6,171)
Total revenues	<u>8,093,273</u>	<u>8,618,838</u>	<u>8,613,112</u>	<u>(5,726)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,599,849	3,831,312	3,769,454	61,858
Special	673,304	716,596	705,881	10,715
Vocational	180,065	191,643	191,643	-
Support services:				
Pupils	362,545	385,856	384,762	1,094
Instructional staff	149,457	159,067	159,067	-
Board of education	34,627	36,853	36,652	201
Administration	808,915	860,926	860,926	-
Fiscal	250,634	266,749	266,659	90
Operations and maintenance	791,719	842,625	840,745	1,880
Pupil transportation	620,630	660,535	659,290	1,245
Central	174,397	185,610	183,410	2,200
Extracurricular activities	195,920	208,517	208,517	-
Facilities acquisition and construction	18,968	20,188	20,188	-
Total expenditures	<u>7,861,030</u>	<u>8,366,477</u>	<u>8,287,194</u>	<u>79,283</u>
Excess of revenues over expenditures	<u>232,243</u>	<u>252,361</u>	<u>325,918</u>	<u>73,557</u>
Other financing sources (uses):				
Advances in	67,176	71,541	71,541	-
Advances (out)	(67,500)	(71,840)	(71,840)	-
Transfers (out)	(154,134)	(164,045)	(164,045)	-
Refund of prior year's expenditures	26,075	27,769	27,769	-
Total other financing sources (uses)	<u>(128,383)</u>	<u>(136,575)</u>	<u>(136,575)</u>	<u>-</u>
Net change in fund balance	103,860	115,786	189,343	73,557
Fund balance, July 1	317,788	317,788	317,788	-
Prior year encumbrances appropriated	77,748	77,748	77,748	-
Fund balance, June 30	<u>\$ 499,396</u>	<u>\$ 511,322</u>	<u>\$ 584,879</u>	<u>\$ 73,557</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,953	\$ 58,760
Investment	5,512	-
Receivables:		
Accounts	-	965
	<hr/>	<hr/>
Total assets	\$ 10,465	\$ 59,725
	<hr/> <hr/>	<hr/> <hr/>
Liabilities:		
Due to students	-	\$ 59,725
	<hr/>	<hr/>
Total liabilities	-	\$ 59,725
	<hr/> <hr/>	<hr/> <hr/>
Net Assets:		
Held in trust for scholarships	10,465	
	<hr/>	
Total net assets	\$ 10,465	
	<hr/> <hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 82
Gifts and contributions.	1,000
Total additions.	1,082
Deductions:	
Scholarships awarded	500
Change in net assets	582
Net assets, July 1	9,883
Net assets, June 30	\$ 10,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Triad Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District is located in Champaign County, and includes all the villages of North Lewisburg, Mingo, Woodstock and Cable and portions of Zane, Union, Wayne, Rush and Allen Townships. The District is staffed by 41 non-certificated employees, 80 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,099 students and other community members. The District currently operates three instructional buildings and one administrative building.

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 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, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations 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:

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 4331.

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the Shelby County Educational Service Center, the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 Districts in 22 Counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

Western Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by an participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

PUBLIC ENTITY RISK POOLS

The Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzisko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. 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 program. Participation in the Program is limited to school districts that can meet the program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

Ohio School Plan

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district's superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU)

CDMU sponsors self-insured medical plans for nine (9) school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion, and Union Counties. These plans are for active employees and their covered dependents. Amongst the nine (9) districts and service centers, there were three (3) plans/plan options to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Dublin, Ohio facility.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for food service and uniform school supplies; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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 economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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. 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 private-purpose trust 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.

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. Fiduciary funds also use the accrual basis of accounting.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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, income 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).

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, 2006, but which were levied to finance fiscal year 2007 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 received 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.

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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund, first two digits function level for the general fund, and the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Champaign County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificate of deposits, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

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 2006 amounted to \$50,124, which includes \$23,231 assigned from other District funds.

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 consumption method on both the fund financial statements and the government-wide financial statements.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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.

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:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future.

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. Compensated absences will be paid from the fund from which the employee's salaries are paid.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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.

L. 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 debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

M. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation were \$216,684 in the Statement of Net Assets.

N. 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.

O. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

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 2006.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principle

For the fiscal year ended June 30, 2006, the District has presented its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). At June 30, 2005, the District presented its financial statements on the cash basis of accounting which effectively does not record balance sheet accruals. In conjunction with the GAAP-basis presentation, the District has converted its governmental funds to the modified accrual basis of accounting and its private-purpose trust fund to the accrual basis of accounting. This conversion required certain adjustments be recorded at June 30, 2005 to cash fund balances as previously reported to reflect the prior year's effect of adopting these new accounting principles. In addition, funds previously reported as enterprise funds are now reported as special revenue funds in accordance with GASB Statement No. 34. The restatement to the opening balances is as follows:

	Cash Fund Balance at June 30, 2005	<u>Adjustments</u>	<u>Restated Fund Balance July 1, 2005</u>
Governmental Funds:			
General	\$ 395,536	\$ (455,363)	\$ (59,827)
Debt	112,254	37,021	149,275
Other governmental funds	<u>227,236</u>	<u>(11,953)</u>	<u>215,283</u>
Total governmental funds	<u>\$ 735,026</u>	<u>\$ (430,295)</u>	<u>\$ 304,731</u>

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for the governmental activities reflects the change in fund balance for the governmental funds at June 30, 2005, caused by the conversion to the accrual basis of accounting.

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2005	\$ 304,731
GASB 34 adjustments:	
Long-term (deferred) assets	(240,790)
Capital assets	19,028,375
Long-term liabilities	<u>(5,211,305)</u>
Governmental activities net assets, June 30, 2005	<u>\$ 13,881,011</u>

Fiduciary Activities - The private-purpose trust fund was converted to the accrual basis of accounting; however, there were no adjustments required to the net assets reported in this fund at June 30, 2005 to account for this conversion. Agency funds do not report fund balances; therefore, no transition is required to restate the beginning fund equity to net assets.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Fund</u>	<u>Deficit</u>
Management Information Systems	\$ 79

This fund 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 this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance results from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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;

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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,
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. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$521,530. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$332,306 of the District's bank balance of \$537,818 was exposed to custodial risk as discussed below, while \$205,512 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>6 months or less</u>
STAR Ohio	<u>\$ 577,955</u>	<u>\$ 577,955</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.

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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 577,955</u>	<u>100.00</u>

C. 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, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 521,530
Investments	<u>577,955</u>
Total	<u>\$ 1,099,485</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,030,260
Private-Purpose Trust fund	10,465
Agency funds	<u>58,760</u>
Total	<u>\$ 1,099,485</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 299

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to debt service fund from:	
General fund	\$ 164,045

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 finance various programs accounted for in other funds in accordance with budgetary authorizations.

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Champaign, Union and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2006 was \$144,016 in the general fund, \$19,694 in the debt service fund and \$2,543 in the Classroom Facilities special revenue fund. The amount that was available as an advance at June 30, 2005 was \$262,983 in the general fund, \$36,456 in the debt service fund and \$5,150 in the Classroom Facilities special revenue fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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.

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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>2005 Second Half Collections</u>		<u>2006 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 82,173,090	94.22	\$ 84,655,380	94.36
Public utility personal	3,728,470	4.27	3,712,590	4.14
Tangible personal property	<u>1,313,312</u>	<u>1.51</u>	<u>1,345,305</u>	<u>1.50</u>
Total	<u>\$ 87,214,872</u>	<u>100.00</u>	<u>\$ 89,713,275</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 28.85		\$ 28.85	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The school district income tax (SDIT) is an income tax separate from federal, state, and city income taxes which is earmarked specifically to support school districts. Residents pay the tax through employer withholding, individual quarterly estimates, and annual returns which are remitted to the Ohio Department of Taxation. Payments are made to the District through the Ohio Department of Taxation. The available money is distributed to the District on a quarterly basis. Quarterly payments contain the total gross collections, less refunds and administrative fees, and also include interest earned. The total available is usually sent to the District within a month of the end of the quarter.

The District has a 1.5% SDIT. SDIT revenue received by the general fund during fiscal year 2006 was \$1,106,252.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, 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:

Governmental Activities	
Taxes	\$ 2,398,039
Accounts	3,086
Intergovernmental	14,036
Accrued interest	<u>31</u>
Total	<u>\$ 2,415,192</u>

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2006</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 414,157	\$ -	\$ -	\$ 414,157
Total capital assets, not being depreciated	<u>414,157</u>	<u>-</u>	<u>-</u>	<u>414,157</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	75,432	-	-	75,432
Building and improvements	19,939,363	-	-	19,939,363
Furniture and equipment	754,112	-	-	754,112
Vehicles	822,131	64,002	-	886,133
Total capital assets, being depreciated	<u>21,591,038</u>	<u>64,002</u>	<u>-</u>	<u>21,655,040</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(8,164)	(1,857)	-	(10,021)
Building and improvements	(1,923,247)	(398,788)	-	(2,322,035)
Furniture and equipment	(367,192)	(89,317)	-	(456,509)
Vehicles	(678,217)	(36,947)	-	(715,164)
Total accumulated depreciation	<u>(2,976,820)</u>	<u>(526,909)</u>	<u>-</u>	<u>(3,503,729)</u>
Governmental activities capital assets, net	<u>\$ 19,028,375</u>	<u>\$ (462,907)</u>	<u>\$ -</u>	<u>\$ 18,565,468</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 256,149
<u>Support Services:</u>	
Instructional staff	9,509
Operations and maintenance	73,858
Pupil transportation	36,947
Extracurricular activities	1,561
Food service operations	<u>148,885</u>
Total depreciation expense	<u>\$ 526,909</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - CAPITAL LEASE

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as business and central function expenditures on the budgetary statements. Capital assets acquired by lease have been originally capitalized in the amount of \$199,637, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$149,728, leaving a current book value of \$49,909.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$70,084 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 64,427
Less amount representing interest	<u>(1,308)</u>
Total	<u>\$ 63,119</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Restated Balance			Balance	Amounts Due in
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>One Year</u>
Governmental Activities					
Series 2000 G.O. Bonds:					
Current interest	\$ 2,685,000	\$ -	\$ (2,445,000)	\$ 240,000	\$ 115,000
Capital appreciation	63,985	-	-	63,985	-
Accreted interest	88,117	27,608	-	115,725	-
Series 2006 G.O. Bonds:					
Current interest	-	2,150,000	-	2,150,000	45,000
Capital appreciation	-	184,994	-	184,994	-
Accreted interest	-	11,469	-	11,469	-
Lease purchase agreement	2,241,000	-	(36,000)	2,205,000	38,000
Capital lease payable	133,203	-	(70,084)	63,119	63,119
Compensated absences	<u>370,680</u>	<u>59,421</u>	<u>(66,102)</u>	<u>363,999</u>	<u>40,120</u>
Total	<u>\$ 5,581,985</u>	<u>\$ 2,433,492</u>	<u>\$ (2,617,186)</u>	5,398,291	<u>\$ 301,239</u>
Less: Unamortized deferred charge on refunding				(151,553)	
Add: Unamortized premium on bond issuance				<u>225,538</u>	
Total on Statement of Net Assets				<u>\$ 5,472,276</u>	

- B. On March 23, 2000, the District issued general obligation bonds to provide funds for new school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the Statement of Net Assets. Payments of principal and interest relating to this bond issue are recorded as expenditures in the debt service fund.

During fiscal year 2006, a \$110,000 principal payment was made and the callable portion of the bonds, \$2,335,000, were advance refunded. The non-callable portion of the current interest bonds, \$240,000, remained as a liability at June 30, 2006. The capital appreciation bonds were not refunded. The capital appreciation bonds mature on December 1, 2007 and December 1, 2008 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. A total of \$115,725 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2006.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2000 general obligation bonds:

Fiscal Year Ended	Current Interest			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 115,000	\$ 9,342	\$ 124,342	\$ -	\$ -	\$ -
2008	-	6,437	6,437	34,655	90,345	125,000
2009	-	6,437	6,437	29,330	95,670	125,000
2010	125,000	3,219	128,219	-	-	-
Total	<u>\$ 240,000</u>	<u>\$ 25,435</u>	<u>\$ 265,435</u>	<u>\$ 63,985</u>	<u>\$ 186,015</u>	<u>\$ 250,000</u>

- C. On January 26, 2006 the District issued general obligation bonds (Series 2006A Refunding Bonds) to advance refund the callable portion of the Series 2000 Current Interest General Obligation Bonds (principal \$2,335,000). Issuance proceeds totaling \$2,490,400 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the Statement of Net Assets.

The refunding issue is comprised of both current interest bonds, par value \$2,150,000, and capital appreciation bonds, par value \$184,994. The capital appreciation bonds mature on December 1, 2010, December 1, 2011 and December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$184,994. Total accreted interest of \$11,469 has been included on the Statement of Net Assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$155,400. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nine years by 6.77% and resulted in an economic gain of \$158,078.

Payments of principal and interest on the Series 2006A refunding bonds will be made from the debt service fund. The following is a summary of the future debt service requirements to maturity:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 45,000	\$ 71,961	\$ 116,961	\$ -	\$ -	\$ -
2008	35,000	83,137	118,137	-	-	-
2009	35,000	81,738	116,738	-	-	-
2010	35,000	80,337	115,337	-	-	-
2011	-	79,112	79,112	73,843	96,157	170,000
2012 - 2016	520,000	375,864	895,864	111,151	218,849	330,000
2017 - 2021	1,015,000	215,625	1,230,625	-	-	-
2022 - 2023	465,000	28,200	493,200	-	-	-
Total	<u>\$ 2,150,000</u>	<u>\$ 1,015,974</u>	<u>\$ 3,165,974</u>	<u>\$ 184,994</u>	<u>\$ 315,006</u>	<u>\$ 500,000</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- D. Lease Purchase Agreement** - On March 13, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (RPA) for the purpose of building a new school building and renovating existing buildings. The \$2,300,000 proceeds of this agreement will be commingled with funding received from the School Facilities Commission and the March 23, 2000 issuance of General Obligations Bonds to complete the projects. The proceeds are to be paid over 30 ½ years with a final maturity of January 1, 2032. In 2002, the RPA merged with the Columbus Regional Airport Authority to become Columbus Municipal Airport Authority.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30.	Lease Purchase Agreement		
	Principal	Interest	Total
2007	\$ 38,000	\$ 125,914	\$ 163,914
2008	41,000	123,638	164,638
2009	43,000	121,219	164,219
2010	45,000	118,685	163,685
2011	48,000	116,006	164,006
2012 - 2016	286,000	533,779	819,779
2017 - 2021	378,000	438,913	816,913
2022 -2026	502,000	312,882	814,882
2027 - 2031	667,000	145,641	812,641
2032	157,000	4,522	161,522
	<u>\$ 2,205,000</u>	<u>\$ 2,041,199</u>	<u>\$ 4,246,199</u>

- E.** 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, 2006 are a voted legal debt margin of \$5,819,462 and an unvoted debt margin of \$89,713.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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. During fiscal year 2006, the District purchased insurance through Ohio Schools Plan (the "OSP"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by OSP are as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Building and Contents - Replacement Cost	\$30,551,480	\$2,500
Audio Visual Equipment	275,000	1,000
Miscellaneous Equipment	102,000	500
Automobile Liability	2,000,000	1,000
Electronic Equipment	1,000,000	1,000
General Liability		
Per occurrence	1,000,000	0
Total per year	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program.

The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. 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 Program. Participation in the Program is limited to Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Employee Medical

The District is also a member of the Champaign, Delaware, Marion, and Union county Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for nine (9) school districts, educational service centers and Boards of Education. These plans are for active employees and their covered dependents. Amongst the nine districts and service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility. Medical Mutual is the PPO provider for the CDMU.

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$126,145, \$114,548, and \$111,513; 33.96 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$83,304 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability with in the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - PENSION PLANS - (Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$485,870, \$496,842 and \$501,847; 87.76 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$59,469 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,517 made by the District and \$6,208 made by the plan members.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$37,375 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 1.13 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$46,505 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 189,343
Net adjustment for revenue accruals	(21,155)
Net adjustment for expenditure accruals	189,061
Net adjustment for other sources/uses	(27,470)
Adjustment for encumbrances	<u>25,465</u>
GAAP basis	<u>\$ 355,244</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 17 - STATUTORY RESERVES

The District is required by state statute 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (348,300)	\$ (554,811)
Current year set-aside requirement	162,868	162,868
Current year offsets	-	(33,331)
Qualifying disbursements	<u>(236,298)</u>	<u>(162,868)</u>
Total	<u>\$ (421,730)</u>	<u>\$ (588,142)</u>
Balance carried forward to FY 2007	<u>\$ (421,730)</u>	<u>\$ (588,142)</u>

The district had offsets and qualifying disbursements during the year that reduced the capital maintenance and textbook set-aside amounts below zero, this extra amount may be used to reduce the set-aside requirements of future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**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
Triad Local School District
7920 Brush Lake Rd.
North Lewisburg, Ohio 43060

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triad Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the Triad Local School District's basic financial statements and have issued our report thereon dated October 24, 2006. As disclosed in Note 3, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2005. 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

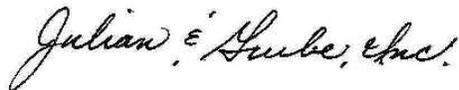
In planning and performing our audit, we considered Triad Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial 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.

Board of Education
Triad Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Triad 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 of other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to the management of Triad Local School District, in a separate letter dated October 24, 2006.

This report is intended solely for the information and use of the management and Board of Education of Triad Local School District, Champaign County, 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.
October 24, 2006

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failure to prepare GAAP financial statements	Yes	N/A



**Auditor of State
Betty Montgomery**

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800-282-0370

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN 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 4, 2007**