

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007***

**JILL SMITH, INTERIM TREASURER**





Mary Taylor, CPA  
Auditor of State

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 & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 27, 2007

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

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

Board of Education  
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 Triad Local School District, Champaign County, Ohio as of and for the fiscal year ended June 30, 2007, which collectively comprise Triad Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 Triad Local School District, Champaign County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of Triad Local School 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.".

Julian & Grube, Inc.  
November 29, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$696,911, which represents a 4.88% increase from 2006.
- General revenues accounted for \$8,813,172 or 82.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,894,381 or 17.69% of total revenues of \$10,707,553. The District also had a special item for receipt of an insurance settlement in the amount of \$150,000.
- The District had \$10,160,642 in expenses related to governmental activities; \$1,894,381 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 \$8,813,172 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$9,516,827 in revenues and a special item and \$8,528,550 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$988,277 from \$295,417 to \$1,283,694.
- The debt service fund had \$407,379 in revenues and other financing sources and \$422,218 in expenditures. During fiscal year 2007, the debt service fund's fund balance decreased \$14,839 from \$150,347 to \$135,508.

**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, 2007

**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 2007?" 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 13-14 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 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

***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 20 and 21. 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 22-49 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets for 2007 and 2006. The net assets of the District have been restated as detailed in Note 3.A.

	<b>Net Assets</b>	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,673,842	\$ 3,523,165
Capital assets	<u>18,435,857</u>	<u>18,848,270</u>
Total assets	<u>23,109,699</u>	<u>22,371,435</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,831,571	2,681,350
Long-term liabilities	<u>5,300,289</u>	<u>5,409,157</u>
Total liabilities	<u>8,131,860</u>	<u>8,090,507</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	13,789,870	14,078,268
Restricted	349,440	381,387
Unrestricted (deficit)	<u>838,529</u>	<u>(178,727)</u>
Total net assets	<u>\$ 14,977,839</u>	<u>\$ 14,280,928</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$14,977,839. Of this total, \$349,440 is restricted in use.

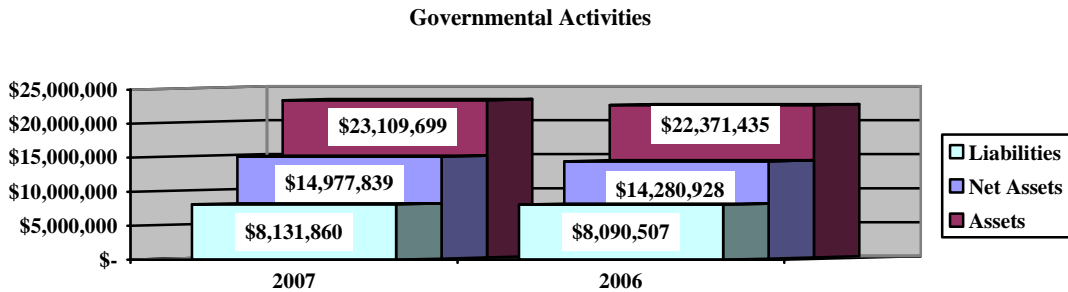
**TRIAD LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

At fiscal year-end, capital assets represented 79.78% 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, 2007, were \$13,789,870. 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, \$349,440, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$835,529 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets for fiscal years 2007 and 2006.



The table below shows the change in net assets for fiscal year 2007 and 2006. Certain 2006 balances have been restated due to the prior period adjustment presented in Note 3.A. in the notes to the basic financial statements.

	Change in Net Assets	
	Governmental Activities 2007	Restated Governmental Activities 2006
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 854,352	\$ 923,680
Operating grants and contributions	1,026,858	526,714
Capital grants and contributions	13,171	12,928
General revenues:		
Property taxes	1,977,639	1,670,487
School District income tax	1,626,089	1,106,252
Grants and entitlements	5,106,895	5,482,821
Investment earnings	87,031	51,312
Other	15,518	16,913
Total revenues	<u>10,707,553</u>	<u>9,791,107</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Change in Net Assets</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2007</u>	<u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,358,028	\$ 3,855,810
Special	1,050,705	938,262
Vocational	178,879	189,307
Other	4,276	-
Support services:		
Pupil	329,981	374,744
Instructional staff	171,411	173,300
Board of education	43,937	44,220
Administration	792,961	727,244
Fiscal	273,626	258,011
Business	750	-
Operations and maintenance	1,019,750	942,519
Pupil transportation	597,229	623,547
Central	212,539	198,093
Operation of non-instructional services:		
Food service operations	507,972	411,788
Extracurricular activities	329,407	376,458
Interest and fiscal charges	<u>289,191</u>	<u>277,887</u>
Total expenses	<u>10,160,642</u>	<u>9,391,190</u>
<b><u>Special item</u></b>		
Insurance settlement	<u>150,000</u>	<u>-</u>
Change in net assets	696,911	399,917
Net assets at beginning of year (restated)	<u>14,280,928</u>	<u>13,881,011</u>
Net assets at end of year	<u>\$ 14,977,839</u>	<u>\$ 14,280,928</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$696,911. Total governmental expenses of \$10,160,642 were offset by program revenues of \$1,894,381, general revenues of \$8,813,172 and a special item for \$150,000. Program revenues supported 18.64% 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 \$8,710,623 or 80.23% of total governmental revenues and special item.

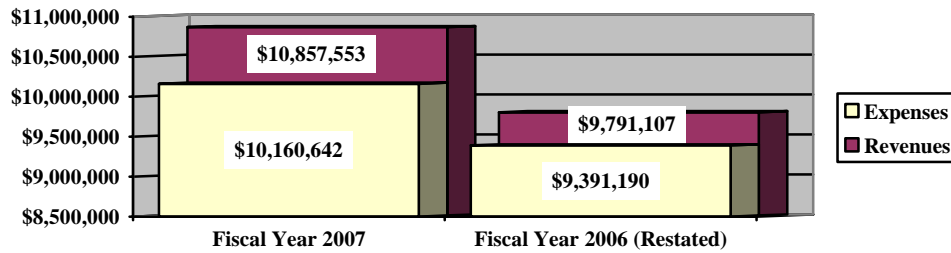
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,591,888 or 55.03% of total governmental expenses for fiscal 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 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. Certain 2006 amounts have been restated due to a prior period adjustment presented in Note 3.A. in the notes to the basic financial statements.

**Governmental Activities**

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Restated Total Cost of Services <u>2006</u>	Restated Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,358,028	\$ 3,757,947	\$ 3,855,810	\$ 3,372,568
Special	1,050,705	409,333	938,262	674,174
Vocational	178,879	144,194	189,307	189,307
Other	4,276	(253)	-	-
Support services:				
Pupil	329,981	327,331	374,744	372,739
Instructional staff	171,411	171,411	173,300	166,909
Board of education	43,937	43,937	44,220	44,220
Administration	792,961	752,441	727,244	674,743
Fiscal	273,626	273,626	258,011	257,905
Business	750	750	-	-
Operations and maintenance	1,019,750	1,016,360	942,519	935,276
Pupil transportation	597,229	553,149	623,547	623,547
Central	212,539	198,539	198,093	184,093
Operation of non-instructional services:				
Food service operations	507,972	158,467	411,788	39,535
Extracurricular activities	329,407	169,838	376,458	114,965
Interest and fiscal charges	289,191	289,191	277,887	277,887
<b>Total expenses</b>	<u>\$ 10,160,642</u>	<u>\$ 8,266,261</u>	<u>\$ 9,391,190</u>	<u>\$ 7,927,868</u>

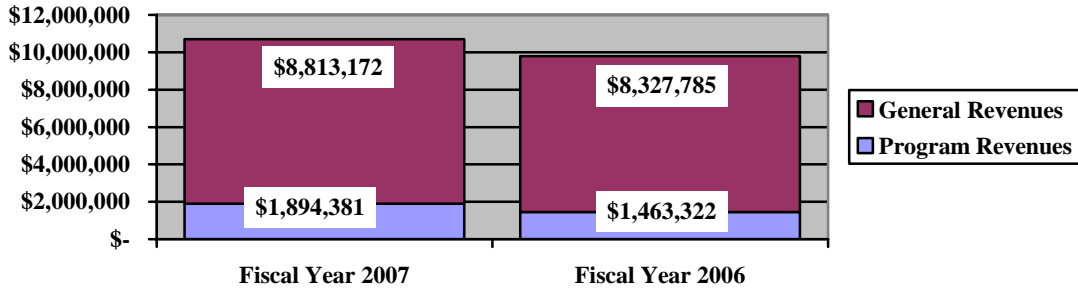
The dependence upon tax and other general revenues for governmental activities is apparent, 77.10% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.36%. The District's taxpayers, as a whole, are a significant source of support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,626,180, which is higher than last year's total of \$709,412. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,283,694	\$ 295,417	\$ 988,277	334.54 %
Debt Service	135,508	150,347	(14,839)	(9.87) %
Other Governmental	<u>206,978</u>	<u>263,648</u>	<u>(56,670)</u>	<u>(21.49) %</u>
Total	<u>\$ 1,626,180</u>	<u>\$ 709,412</u>	<u>\$ 916,768</u>	<u>129.23 %</u>

**General Fund**

The District's general fund balance increased \$988,277. The increase in fund balance can be attributed to several items related to higher revenues than expenditures. Revenues exceed expenditures for fiscal year 2007 by \$1,002,191. 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, 2007

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,297,373	\$ 2,597,856	\$ 699,517	26.93 %
Tuition	369,171	321,020	48,151	15.00 %
Earnings on investments	86,893	50,124	36,769	73.36 %
Intergovernmental	5,534,459	5,456,758	77,701	1.42 %
Other revenues	<u>78,931</u>	<u>166,199</u>	<u>(87,268)</u>	<u>(52.51) %</u>
Total	<u>\$ 9,366,827</u>	<u>\$ 8,591,957</u>	<u>\$ 774,870</u>	<u>9.02 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,858,587	\$ 4,485,040	\$ 373,547	8.33 %
Support services	3,308,762	3,267,872	40,890	1.25 %
Extracurricular activities	197,287	222,961	(25,674)	(11.52) %
Facilities acquisition and construction	-	20,188	(20,188)	(100.00) %
Debt service	<u>-</u>	<u>76,607</u>	<u>(76,607)</u>	<u>(100.00) %</u>
Total	<u>\$ 8,364,636</u>	<u>\$ 8,072,668</u>	<u>\$ 291,968</u>	<u>3.62 %</u>

The increase in taxes is primarily due to the increase in income tax collections. The increase in tuition revenue is due to an increase in the number of students attending through open enrollment. The increase in earnings on investments is due to the increase in interest rates from 2006. The decrease in other revenues is due to the decrease in extracurricular activities receipts, which is consistent with the decrease in extracurricular activities expenditures.

The increase in instruction expenditures is due to increases in salaries and cost of benefits in fiscal year 2007 – during previous years there were pay freezes. The decrease in extracurricular activities is due to fewer activities offered compared to 2006. The decrease in facilities acquisition and construction is because no purchases of facilities were made during 2007. The decrease in debt service expenditures is due to the termination of a capital lease obligation for copier equipment.

***Debt Service Fund***

The debt service fund had \$407,379 in revenues and other financing sources and \$422,218 in expenditures. During fiscal year 2007, the debt service fund's fund balance decreased \$14,839 from a balance of \$150,347 to \$135,508.

***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 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$9,063,221 were increased to \$9,237,830 in the final budget. Actual revenues and other financing sources for fiscal 2007 was \$9,329,691. This represents a \$91,861 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,025,030 were increased to \$9,026,023 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$8,597,007, which was \$429,016 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, 2007

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the District had \$18,435,857 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 2007 balances compared to 2006, certain 2006 balances have been restated due to a prior period adjustment presented in Note 3.A. in the notes to the basic financial statements:

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

	Governmental Activities	
	2007	Restated 2006
Land	\$ 414,157	\$ 414,157
Land improvements	67,285	69,322
Building and improvements	17,389,725	17,788,550
Furniture and equipment	278,761	342,342
Vehicles	285,929	233,899
Total	\$ 18,435,857	\$ 18,848,270

The overall decrease in capital assets of \$412,413 is due to depreciation expense of \$549,184 exceeding capital outlays of \$136,771. See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2007 the District had \$2,675,652 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 \$2,515,652 is due within greater than one year. The District also has \$2,167,000 in a lease purchase agreement outstanding. Of this amount, \$41,000 is due within one year and \$2,126,000 is due within greater than one year. The following table summarizes the bonds and lease purchase agreement outstanding. Certain 2006 amounts have been restated due to a prior period adjustment presented in Note 3.A. in the notes to the basic financial statements.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
General Obligation Bonds	\$ 2,675,652	\$ 2,766,173
Lease purchase agreement	2,167,000	2,205,000
Total	\$ 4,842,652	\$ 4,971,173

See Note 10 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, 2007

**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 millage 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 94.29% of the General Fund Revenue in fiscal year 2007 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 an effort to reduce cost during fiscal year 2007 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 leaves 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.

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.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens 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. Jill Smith, Interim 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, 2007

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,745,825
Receivables:	
Taxes . . . . .	2,744,532
Accounts . . . . .	12,150
Intergovernmental . . . . .	56,231
Accrued interest . . . . .	531
Prepayments. . . . .	37,115
Materials and supplies inventory . . . . .	7,987
Unamortized bond issue costs. . . . .	69,471
Capital assets:	
Land . . . . .	414,157
Depreciable capital assets, net . . . . .	<u>18,021,700</u>
Total capital assets, net. . . . .	<u>18,435,857</u>
 Total assets . . . . .	 <u>23,109,699</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	55,525
Accrued wages and benefits . . . . .	667,357
Pension obligation payable. . . . .	191,454
Intergovernmental payable . . . . .	74,124
Unearned revenue . . . . .	1,835,858
Accrued interest payable . . . . .	7,253
Long-term liabilities:	
Due within one year. . . . .	245,508
Due in more than one year . . . . .	<u>5,054,781</u>
 Total liabilities . . . . .	 <u>8,131,860</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	13,789,870
Restricted for:	
Capital projects . . . . .	31,251
Debt service. . . . .	141,132
Classroom facilities maintenance . . . . .	57,486
State funded programs . . . . .	25,715
Federally funded programs . . . . .	18,098
Student activities . . . . .	62,258
Other purposes . . . . .	13,500
Unrestricted. . . . .	<u>838,529</u>
 Total net assets . . . . .	 <u>\$ 14,977,839</u>

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, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,358,028	\$ 395,766	\$ 204,315	\$ -	\$ (3,757,947)
Special . . . . .	1,050,705	14,723	626,649	-	(409,333)
Vocational . . . . .	178,879	-	34,685	-	(144,194)
Other . . . . .	4,276	4,529	-	-	253
Support services:					
Pupil . . . . .	329,981	-	2,650	-	(327,331)
Instructional staff . . . . .	171,411	-	-	-	(171,411)
Board of education . . . . .	43,937	-	-	-	(43,937)
Administration . . . . .	792,961	38,014	2,506	-	(752,441)
Fiscal . . . . .	273,626	-	-	-	(273,626)
Business . . . . .	750	-	-	-	(750)
Operations and maintenance . . . . .	1,019,750	3,390	-	-	(1,016,360)
Pupil transportation . . . . .	597,229	-	30,909	13,171	(553,149)
Central . . . . .	212,539	-	14,000	-	(198,539)
Operation of non-instructional services:					
Food service operations . . . . .	507,972	238,361	111,144	-	(158,467)
Extracurricular activities . . . . .	329,407	159,569	-	-	(169,838)
Interest and fiscal charges . . . . .	289,191	-	-	-	(289,191)
<b>Totals . . . . .</b>	<b>\$ 10,160,642</b>	<b>\$ 854,352</b>	<b>\$ 1,026,858</b>	<b>\$ 13,171</b>	<b>(8,266,261)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,717,235
Classroom facilities maintenance . . . . .					34,966
Debt service . . . . .					225,438
School district income tax . . . . .					1,626,089
Grants and entitlements not restricted to specific programs . . . . .					5,106,895
Investment earnings . . . . .					87,031
Miscellaneous . . . . .					15,518
<b>Total general revenues . . . . .</b>					<b>8,813,172</b>
<b>Special item:</b>					
Insurance settlement for construction project . . . . .					150,000
<b>Total general revenues and special item . . . . .</b>					<b>8,963,172</b>
Change in net assets . . . . .					696,911
<b>Net assets, July 1 (restated) . . . . .</b>					<b>14,280,928</b>
<b>Net assets, June 30 . . . . .</b>					<b>\$ 14,977,839</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,385,878	\$ 116,390	\$ 241,057	\$ 1,743,325
Receivables:				
Taxes . . . . .	2,465,243	247,377	31,912	2,744,532
Accounts . . . . .	7,495	-	4,655	12,150
Intergovernmental . . . . .	-	-	56,231	56,231
Accrued interest . . . . .	531	-	-	531
Prepayments . . . . .	37,115	-	-	37,115
Materials and supplies inventory . . . . .	-	-	7,987	7,987
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	2,500	-	-	2,500
<b>Total assets . . . . .</b>	<u>\$ 3,898,762</u>	<u>\$ 363,767</u>	<u>\$ 341,842</u>	<u>\$ 4,604,371</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 41,906	\$ -	\$ 13,619	\$ 55,525
Accrued wages and benefits . . . . .	642,265	-	25,092	667,357
Compensated absences payable . . . . .	15,587	-	-	15,587
Pension obligation payable . . . . .	177,469	-	13,985	191,454
Intergovernmental payable . . . . .	50,054	-	24,070	74,124
Deferred revenue . . . . .	95,170	12,877	30,239	138,286
Unearned revenue . . . . .	1,592,617	215,382	27,859	1,835,858
<b>Total liabilities . . . . .</b>	<u>2,615,068</u>	<u>228,259</u>	<u>134,864</u>	<u>2,978,191</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	29,463	-	23,862	53,325
Reserved for prepayments . . . . .	37,115	-	-	37,115
Reserved for materials and supplies inventory . . . . .	-	-	7,987	7,987
Reserved for property tax unavailable for appropriation . . . . .	142,383	19,118	2,161	163,662
Reserved for debt service . . . . .	-	116,390	-	116,390
Reserved for school bus purchases . . . . .	2,500	-	-	2,500
Unreserved, undesignated, reported in:				
General fund . . . . .	1,072,233	-	-	1,072,233
Special revenue funds . . . . .	-	-	141,717	141,717
Capital projects funds . . . . .	-	-	31,251	31,251
<b>Total fund balances . . . . .</b>	<u>1,283,694</u>	<u>135,508</u>	<u>206,978</u>	<u>1,626,180</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 3,898,762</u>	<u>\$ 363,767</u>	<u>\$ 341,842</u>	<u>\$ 4,604,371</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, 2007

<b>Total governmental fund balances</b>		\$ 1,626,180
<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.		18,435,857
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 109,639	
Intergovernmental revenue	28,647	
Total	138,286	138,286
Unamortized deferred charges on refundings are not recognized in the funds.		142,321
Unamortized premiums on bond issuances are not recognized in the funds.		(211,800)
Unamortized bond issuance costs are not recognized in the funds.		69,471
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,253)
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	(2,675,652)	
Lease purchase agreement	(2,167,000)	
Compensated absences	(372,571)	
Total	(5,215,223)	(5,215,223)
<b>Net assets of governmental activities</b>		<b>\$ 14,977,839</b>

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, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,297,373	\$ 219,225	\$ 34,356	\$ 3,550,954
Tuition . . . . .	369,171	-	-	369,171
Charges for services . . . . .	-	-	238,361	238,361
Classroom materials and fees . . . . .	36,461	-	3,410	39,871
Earnings on investments . . . . .	86,893	-	3,247	90,140
Extracurricular . . . . .	23,562	-	150,598	174,160
Other local revenues . . . . .	18,908	-	29,399	48,307
Intergovernmental - state . . . . .	5,534,459	24,240	77,962	5,636,661
Intergovernmental - federal . . . . .	-	-	478,949	478,949
Total revenues . . . . .	<u>9,366,827</u>	<u>243,465</u>	<u>1,016,282</u>	<u>10,626,574</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,876,289	-	213,780	4,090,069
Special . . . . .	798,542	-	249,789	1,048,331
Vocational . . . . .	179,480	-	-	179,480
Adult . . . . .	4,276	-	-	4,276
Support Services:				
Pupil . . . . .	327,858	-	-	327,858
Instructional staff . . . . .	161,841	-	-	161,841
Board of education . . . . .	43,937	-	-	43,937
Administration . . . . .	750,976	-	39,119	790,095
Fiscal . . . . .	275,543	4,926	897	281,366
Business . . . . .	750	-	-	750
Operations and maintenance . . . . .	916,877	-	65,886	982,763
Pupil transportation . . . . .	624,339	-	-	624,339
Central . . . . .	206,641	-	15,249	221,890
Operation of non-instructional services:				
Food service operations . . . . .	-	-	355,990	355,990
Extracurricular activities . . . . .	197,287	-	130,387	327,674
Facilities acquisition and construction . . . . .	-	-	1,855	1,855
Debt service:				
Principal retirement . . . . .	-	198,000	-	198,000
Interest and fiscal charges . . . . .	-	219,292	-	219,292
Total expenditures . . . . .	<u>8,364,636</u>	<u>422,218</u>	<u>1,072,952</u>	<u>9,859,806</u>
Excess of revenues over (under) expenditures . . . . .	<u>1,002,191</u>	<u>(178,753)</u>	<u>(56,670)</u>	<u>766,768</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	163,914	-	163,914
Transfers (out) . . . . .	(163,914)	-	-	(163,914)
Total other financing sources (uses) . . . . .	<u>(163,914)</u>	<u>163,914</u>	<u>-</u>	<u>-</u>
<b>Special item:</b>				
Insurance settlement for construction project . . . . .	150,000	-	-	150,000
Net change in fund balances . . . . .	988,277	(14,839)	(56,670)	916,768
<b>Fund balances July 1 . . . . .</b>	<u>295,417</u>	<u>150,347</u>	<u>263,648</u>	<u>709,412</u>
<b>Fund balances, June 30 . . . . .</b>	<u>\$ 1,283,694</u>	<u>\$ 135,508</u>	<u>\$ 206,978</u>	<u>\$ 1,626,180</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, 2007

<b>Net change in fund balances - total governmental funds</b>		\$ 916,768
<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	\$ 136,771	
Current year depreciation	(549,184)	
Total		(412,413)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	52,774	
Intergovernmental revenue	28,205	
Total		80,979
Repayment of bonds and lease purchase is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		198,000
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	(420)	
Amortization of bond premium	13,738	
Amortization of deferred charges	(9,232)	
Amortization of bond issue costs	(4,506)	
Accreted interest on capital appreciation bonds	(69,479)	
Total		(69,899)
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.		
		(16,524)
<b>Change in net assets of governmental activities</b>		<u>\$ 696,911</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, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,083,022	\$ 3,139,935	\$ 3,108,218	\$ (31,717)
Tuition . . . . .	353,180	359,700	361,676	1,976
Classroom materials and fees . . . . .	34,018	34,646	36,461	1,815
Earnings on investments . . . . .	79,041	80,500	89,964	9,464
Extracurricular . . . . .	28,784	29,315	23,677	(5,638)
Other local revenue. . . . .	13,384	16,400	15,868	(532)
Intergovernmental - state . . . . .	5,321,792	5,420,034	5,534,459	114,425
Total revenues . . . . .	<u>8,913,221</u>	<u>9,080,530</u>	<u>9,170,323</u>	<u>89,793</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,159,274	3,932,277	3,851,120	81,157
Special . . . . .	826,936	719,126	805,198	(86,072)
Vocational . . . . .	195,745	193,060	182,018	11,042
Other . . . . .	8,000	9,800	4,276	5,524
Support services:				
Pupils . . . . .	384,816	411,787	354,619	57,168
Instructional staff. . . . .	197,009	181,807	159,996	21,811
Board of education . . . . .	39,410	42,311	53,771	(11,460)
Administration . . . . .	796,130	801,845	752,580	49,265
Fiscal . . . . .	165,380	288,570	274,674	13,896
Operations and maintenance . . . . .	966,365	1,012,583	940,979	71,604
Pupil transportation . . . . .	655,490	594,008	653,714	(59,706)
Central . . . . .	219,575	218,449	203,622	14,827
Extracurricular activities . . . . .	236,200	236,627	196,526	40,101
Facilities acquisition and construction . . . . .	10,000	22,000	-	22,000
Total expenditures. . . . .	<u>8,860,330</u>	<u>8,664,250</u>	<u>8,433,093</u>	<u>231,157</u>
Excess of revenues over expenditures. . . . .	<u>52,891</u>	<u>416,280</u>	<u>737,230</u>	<u>320,950</u>
<b>Other financing sources (uses):</b>				
Advances in. . . . .	-	300	299	(1)
Advances (out) . . . . .	-	(196,859)	-	196,859
Transfers (out) . . . . .	(164,700)	(164,914)	(163,914)	1,000
Sale of capital assets . . . . .	-	-	2,800	2,800
Refund of prior year's expenditures. . . . .	-	7,000	6,269	(731)
Total other financing sources (uses) . . . . .	<u>(164,700)</u>	<u>(354,473)</u>	<u>(154,546)</u>	<u>199,927</u>
<b>Special item:</b>				
Insurance settlement for construction project . . . . .	150,000	150,000	150,000	-
Net change in fund balance . . . . .	38,191	211,807	732,684	520,877
<b>Fund balance, July 1. . . . .</b>	584,879	584,879	584,879	-
<b>Prior year encumbrances appropriated . . . . .</b>	25,465	25,465	25,465	-
<b>Fund balance, June 30. . . . .</b>	<u>\$ 648,535</u>	<u>\$ 822,151</u>	<u>\$ 1,343,028</u>	<u>\$ 520,877</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, 2007

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 7,206	\$ 71,070
Total assets . . . . .	<u>7,206</u>	<u>\$ 71,070</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 68
Due to students . . . . .	<u>-</u>	<u>71,002</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 71,070</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>7,206</u>	
Total net assets . . . . .	<u>\$ 7,206</u>	

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, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 241
Gifts and contributions. . . . .	1,000
Total additions. . . . .	1,241
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,500
Change in net assets . . . . .	(3,259)
<b>Net assets, July 1 . . . . .</b>	<b>10,465</b>
<b>Net assets, June 30 . . . . .</b>	<b>\$ 7,206</b>

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, 2007

**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 the 473<sup>rd</sup> largest in the State of Ohio among 876 public school districts and community schools in terms of enrollment. The District is located in Champaign County and includes the villages of North Lewisburg, Mingo, Woodstock and Cable as well as portions of Zane, Union, Wayne, Rush and Allen Townships. It is staffed by 40 non-certificated employees and 82 certificated full-time teaching personnel who provide services to 1,042 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'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 organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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 Adelserger, 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 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 a 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, 2007

**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 Huzicko, 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 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 9 districts and service centers, there were 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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.

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, 2007

**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, 2007

**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, school district income tax, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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, is not recognized in governmental funds.

**TRIAD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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 the 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 Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as 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 estimated 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 2007, investments were limited to 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 2007. 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, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2007 amounted to \$86,893, which includes \$25,036 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, 2007

**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>	<u>Governmental Activities 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. The District had no interfund loans outstanding at the end of the fiscal year.

**J. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**K. 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.

**L. 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.

**M. 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, prepayments, property taxes unavailable for appropriation, debt service and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**N. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Amounts restricted for other purposes include the balance of the fund for underground storage and amounts reserved for school bus purchases.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, deferred charges, issuance costs and bond premiums are recognized in the current period.

**R. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**S. 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. The District had no extraordinary items during fiscal 2007. The special item reported on the basic financial statements consists of the receipt of an insurance settlement in the amount of \$150,000 resulting from litigation regarding construction projects.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior period adjustment**

The District has presented a prior period adjustment to correct errors and omissions reported in capital assets and long-term liabilities. This prior period adjustment had no effect on fund balance, however it had the following effect on net assets as previously reported:

	Governmental Activities
Net assets, June 30, 2006	\$ 13,935,007
Prior period adjustment - capital assets	282,802
Prior period adjustment - long-term liabilities	63,119
Restated net assets, June 30, 2006	\$ 14,280,928

**B. Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Fund</u>	<u>Deficit</u>
Management Information Systems	\$ 555
Ohio Reads Grant	1,261
Title I	2,293
Drug-Free School Grant	144
Reducing Class Size	3,141

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**C. Noncompliance**

The District had expenditures in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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.

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, 2007, the carrying amount of all District deposits was \$1,215,606. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$1,098,566 of the District's bank balance of \$1,298,566 was exposed to custodial risk as discussed below, while \$200,000 was covered by the 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.

**B. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 608,495	\$ 608,495

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>608,495</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,215,606
Investments	<u>608,495</u>
Total	<u>\$ 1,824,101</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,745,825
Private-Purpose Trust fund	7,206
Agency funds	<u>71,070</u>
Total	<u>\$ 1,824,101</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to debt service fund from:	
General fund	\$ 163,914

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

Transfers between governmental funds are eliminated on the government-wide statements, therefore no transfers at June 30, 2007, are reported on the statement of activities.

**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.

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

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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 advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$142,383 in the general fund, \$19,118 in the debt service fund and \$2,161 in the Classroom Facilities nonmajor special revenue fund. The amount that was 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 nonmajor 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, 2007 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 unearned 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 84,655,380	94.36	\$ 87,290,390	94.93
Public utility personal	3,712,590	4.14	3,710,800	4.04
Tangible personal property	1,345,305	1.50	951,481	1.03
Total	\$ 89,713,275	100.00	\$ 91,952,671	100.00
Tax rate per \$1,000 of assessed valuation:	\$28.75		\$28.75	

**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 quarterly. 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 2007 was \$1,626,089.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2007 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:

<b>Governmental Activities</b>	
Taxes	\$ 2,744,532
Accounts	12,150
Intergovernmental	56,231
Accrued interest	531
Total	\$ 2,813,444

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 9 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to errors and omissions previously reported as capital assets:

	<u>Balance</u> <u>06/30/06</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/06</u>
<b>Governmental Activities:</b>			
<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>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	<u>886,133</u>	<u>-</u>	<u>886,133</u>
Total capital assets, being depreciated	<u>21,655,040</u>	<u>-</u>	<u>21,655,040</u>
<i>Less: accumulated depreciation</i>	<u>(3,503,729)</u>	<u>282,802</u>	<u>(3,220,927)</u>
Governmental activities capital assets, net	<u>\$ 18,565,468</u>	<u>\$ 282,802</u>	<u>\$ 18,848,270</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance			Balance
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</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	25,047	-	779,159
Vehicles	<u>886,133</u>	<u>111,724</u>	<u>(120,149)</u>	<u>877,708</u>
Total capital assets, being depreciated	<u>21,655,040</u>	<u>136,771</u>	<u>(120,149)</u>	<u>21,671,662</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,110)	(2,037)	-	(8,147)
Building and improvements	(2,150,813)	(398,825)	-	(2,549,638)
Furniture and equipment	(411,770)	(88,628)	-	(500,398)
Vehicles	<u>(652,234)</u>	<u>(59,694)</u>	<u>120,149</u>	<u>(591,779)</u>
Total accumulated depreciation	<u>(3,220,927)</u>	<u>(549,184)</u>	<u>120,149</u>	<u>(3,649,962)</u>
Governmental activities capital assets, net	<u>\$ 18,848,270</u>	<u>\$ (412,413)</u>	<u>\$ -</u>	<u>\$ 18,435,857</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 253,819
<u>Support Services:</u>	
Instructional staff	9,570
Fiscal	1,765
Operations and maintenance	74,355
Pupil transportation	58,100
<u>Operation of non-instructional services:</u>	
Food service operations	149,842
Extracurricular activities	<u>1,733</u>
Total depreciation expense	<u>\$ 549,184</u>

**TRIAD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. The District has presented a prior period adjustment of long-term liabilities in order to remove a capital lease obligation at June 30, 2006, in the amount of \$63,119 for capital leases which were terminated prior to the end of the lease term. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Restated Balance			Balance	Amounts Due in
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>One Year</u>
<b>Governmental Activities</b>					
Series 2000 G.O. Bonds:					
Current interest	\$ 240,000	\$ -	\$ (115,000)	\$ 125,000	\$ -
Capital appreciation	63,985	-	-	63,985	34,655
Accreted interest	115,725	32,619	-	148,344	90,345
Series 2006 G.O. Bonds:					
Current interest	2,150,000	-	(45,000)	2,105,000	35,000
Capital appreciation	184,994	-	-	184,994	-
Accreted interest	11,469	36,860	-	48,329	-
Lease purchase agreement	2,205,000	-	(38,000)	2,167,000	41,000
Compensated absences	<u>363,999</u>	<u>70,745</u>	<u>(46,586)</u>	<u>388,158</u>	<u>44,508</u>
Total	<u>\$ 5,335,172</u>	<u>\$ 140,224</u>	<u>\$ (244,586)</u>	5,230,810	<u>\$ 245,508</u>
Less: Unamortized deferred charge on refunding				(142,321)	
Add: Unamortized premium on bond issuance				<u>211,800</u>	
Total on statement of net assets				<u>\$ 5,300,289</u>	

Compensated absences will be paid from the fund which the employees' salaries are paid, which are the general and food service funds.

- 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, the callable portion of the bonds, \$2,335,000, was 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. The accreted value at maturity for the capital appreciation bonds is \$250,000. A total of \$148,344 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - 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
2008	\$ -	\$ 6,437	\$ 6,437	\$ 34,655	\$ 90,345	\$ 125,000
2009	-	6,437	6,437	29,330	95,670	125,000
2010	<u>125,000</u>	<u>3,219</u>	<u>128,219</u>	-	-	-
Total	<u>\$ 125,000</u>	<u>\$ 16,093</u>	<u>\$ 141,093</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 accreted value at maturity for the capital appreciation bonds is \$500,000. Total accreted interest of \$48,329 has been included on the statement of net assets.

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
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	-	79,113	79,113	60,344	104,656	165,000
2013 - 2017	710,000	354,563	1,064,563	50,807	114,193	165,000
2018 - 2022	1,050,000	175,913	1,225,913	-	-	-
2023	<u>240,000</u>	<u>9,600</u>	<u>249,600</u>	-	-	-
Total	<u>\$ 2,105,000</u>	<u>\$ 943,513</u>	<u>\$ 3,048,513</u>	<u>\$ 184,994</u>	<u>\$ 315,006</u>	<u>\$ 500,000</u>

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**NOTE 10 - 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, 2007 are as follows:

Fiscal Year Ending June 30,	Lease Purchase Agreement		
	Principal	Interest	Total
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	51,000	113,155	164,155
2013 - 2017	302,000	516,845	818,845
2018 - 2022	400,000	416,506	816,506
2023 - 2027	532,000	283,103	815,103
2028 - 2032	705,000	106,128	811,128
	<u>\$ 2,167,000</u>	<u>\$ 1,915,285</u>	<u>\$ 4,082,285</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$5,597,556 (including available funds of \$135,508) and an unvoted debt margin of \$90,419.

**TRIAD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 11 - 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 2007, the District purchased insurance through the Ohio School 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	\$31,468,020	\$1,000
Audio Visual Equipment	103,000	1,000
Miscellaneous Equipment	283,250	1,000
Automobile Liability	2,000,000	1,000
Electronic Equipment	1,133,000	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 2007, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Employee Medical**

The District is also a member of the Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for 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 13. As such, no funding provisions are required by the District.

**NOTE 12 - 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](http://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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. 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. 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 2007, 2006, and 2005 were \$113,193, \$116,226, and \$114,548; 44 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$63,769 represents the unpaid contribution for fiscal year 2007 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, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - 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, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. 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, 2007, 2006, and 2005 were \$514,144, \$485,870 and \$496,842; 85 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$77,469 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,607 made by the District and \$7,010 made by the plan members.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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, 2007**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,550 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$56,796 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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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	\$ 732,684
Net adjustment for revenue accruals	196,504
Net adjustment for expenditure accruals	23,107
Net adjustment for other sources/uses	(9,368)
Adjustment for encumbrances	<u>45,350</u>
GAAP basis	<u>\$ 988,277</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 16 - 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, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (421,730)	\$ (588,142)
Current year set-aside requirement	163,902	163,902
Current year offsets	-	(34,438)
Qualifying disbursements	<u>(247,443)</u>	<u>(412,110)</u>
Total	<u>\$ (505,271)</u>	<u>\$ (870,788)</u>
Balance carried forward to FY 2008	<u>\$ (505,271)</u>	<u>\$ (588,142)</u>

The District received \$2,500 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for bus purchases	\$ 2,500
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The District had offsets and qualifying disbursements during the year that reduced the capital maintenance and textbook set-aside amounts below zero. The textbook 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. The capital acquisition excess may not be carried forward.





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

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

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

Board of Education  
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 Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Triad Local School District's basic financial statements and have issued our report thereon dated November 29, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Triad Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Triad Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Triad Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Triad Local School District's financial statements that is more than inconsequential will not be prevented or detected by Triad Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Triad Local School District's internal control.

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

Board of Education  
Triad Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-TLSD-001 and 2007-TLSD-002.

We noted certain matters that we reported to the management of Triad Local School District in a separate letter dated November 29, 2007.

Triad Local School District's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Triad Local School District's responses and, accordingly, we express no opinion on them.

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

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

Julian & Grube, Inc.  
November 29, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2007**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2007-TLSD-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The District had expenditures in excess of appropriations at April 30, 2007, within the following funds:

<u>NonMajor Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Data Communication	\$9,000	\$9,039	\$39
IDEA	201,418	252,457	51,039
Improving Teacher Quality	56,295	58,233	1,938

The District had expenditures in excess of appropriations at June 30, 2007 in the following funds:

<u>NonMajor Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Title I	\$49,486	\$51,978	\$2,492
Improving Teacher Quality	56,228	60,745	4,450

The District is expending monies that have not been approved by the Board of Education. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

*Client Response:* The District will more closely monitor its expenditures versus approved appropriations throughout the fiscal year and obtain additional approved modifications as necessary.

Finding Number	2007-TLSD-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not timely modify its appropriations throughout the fiscal year and at fiscal year end.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that the Board adopt accounting policies for amending appropriations and include these policies in the Board's accounting policies and procedures manual, consider reviewing estimated resources and appropriations and expenditures versus appropriations on a monthly basis, and certify amendments to the Board of Commissioners as necessary. We recommend the Board utilize its accounting software or a spreadsheet to help monitor the budget.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2007**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2007-TLSD-002 - (Continued)

*Client Response:* The District will more closely monitor its expenditures versus approved appropriations throughout the fiscal year and obtain additional approved modifications as necessary.



**Mary Taylor, CPA**  
Auditor of State

**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 10, 2008**