

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

CONNIE COHN, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Triad Local School District, Champaign County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2012

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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 Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Triad Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Triad Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, its major fund, and the aggregate remaining fund information of the Triad Local School District, as of June 30, 2011, 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.

As described in Note 3, during the fiscal year ended June 30, 2011, the Triad Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the Triad Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Triad Local School District
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Triad Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 14, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$791,416, which represents a 5.66% decrease from 2010.
- General revenues accounted for \$8,868,885 or 74.99% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,958,297 or 25.01% of total revenues of \$11,827,182.
- The District had \$12,618,598 in expenses related to governmental activities; \$2,958,297 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 \$8,868,885 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,615,650 in revenues and \$9,699,718 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$84,068 from a restated balance of \$1,034,738 to \$950,670.

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 is by far the most significant fund, and the only governmental fund reported as major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011?" 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, administration, 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 fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. 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 fund. The District's major governmental fund is the general 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 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, 2011

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. This activity is reported in the agency fund. 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 22-52 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 4,291,383	\$ 4,420,793
Capital assets, net	<u>16,781,507</u>	<u>17,289,034</u>
Total assets	<u>21,072,890</u>	<u>21,709,827</u>
<u>Liabilities</u>		
Current liabilities	2,366,923	2,850,387
Long-term liabilities	<u>5,513,386</u>	<u>4,875,443</u>
Total liabilities	<u>7,880,309</u>	<u>7,725,830</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,628,903	13,010,081
Restricted	644,039	409,716
Unrestricted (deficit)	<u>(80,361)</u>	<u>564,200</u>
Total net assets	<u>\$ 13,192,581</u>	<u>\$ 13,983,997</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$13,192,581. Of this total, \$80,361 is an unrestricted deficit.

The only significant increase was in the area of long-term liabilities which increased primarily due to the issuance of \$798,000 of long-term energy conservation notes in fiscal year 2011.

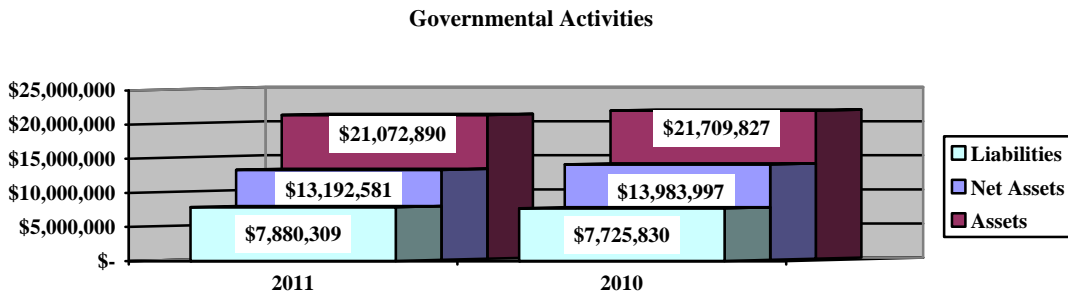
**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At fiscal year-end, capital assets represented 79.64% 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, 2011, were \$12,628,903. 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, \$644,039, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$80,361.

The graph below presents the District's assets, liabilities and net assets for fiscal years 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011's presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

	Change in Net Assets	
	Governmental Activities 2011	Restated Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,005,284	\$ 970,689
Operating grants and contributions	1,927,436	1,516,522
Capital grants and contributions	25,577	-
General revenues:		
Property taxes	2,526,558	2,056,600
School district income tax	1,574,161	1,557,366
Grants and entitlements	4,742,975	4,769,318
Investment earnings	2,907	10,092
Other	22,284	32,062
	<u>11,827,182</u>	<u>10,912,649</u>
Total revenues	<u>11,827,182</u>	<u>10,912,649</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,028,657	\$ 4,893,257
Special	1,356,131	1,394,763
Vocational	256,472	224,988
Other	36,716	45,490
Support services:		
Pupil	372,272	342,011
Instructional staff	316,740	256,484
Board of education	62,275	44,284
Administration	900,433	824,262
Fiscal	320,607	289,972
Business	6,823	39,528
Operations and maintenance	1,936,730	1,063,559
Pupil transportation	603,437	802,184
Central	221,517	207,161
Operation of non-instructional services:		
Other non-instructional services	-	4,382
Food service operations	475,787	495,844
Extracurricular activities	438,786	438,805
Interest and fiscal charges	<u>285,215</u>	<u>270,657</u>
Total expenses	<u>12,618,598</u>	<u>11,637,631</u>
Change in net assets	(791,416)	(724,982)
Net assets at beginning of year	<u>13,983,997</u>	<u>14,708,979</u>
Net assets at end of year	<u>\$ 13,192,581</u>	<u>\$ 13,983,997</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$791,416. Total governmental expenses of \$12,618,598 were offset by program revenues of \$2,958,297 and general revenues of \$8,868,885. Program revenues supported 23.44% 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 \$8,843,694 or 74.77% of total governmental revenues. Property tax revenue increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. For all governmental activities, the amount of tax advances available at June 30, 2011 and June 30, 2010 was \$732,190 and \$347,440, respectively. The amount of tax advance available at year-end can vary depending upon when the County Auditor distributes tax bills. Property tax revenue increased due to fluctuations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

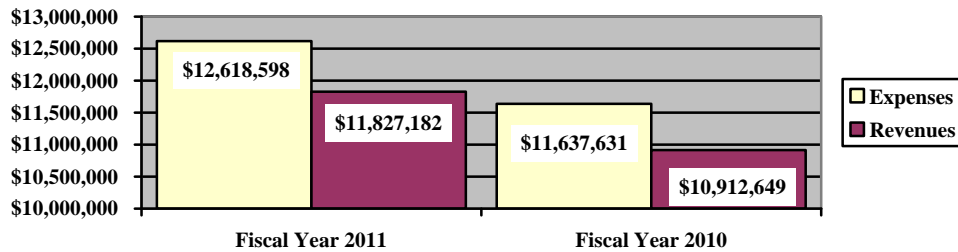
The increase in operating grants and contributions is due to increased federal funding for fiscal year 2011 namely due to federal Ed Jobs grant funding of approximately \$237,000 which was recognized in fiscal year 2011.

Operations and maintenance expenses increased as the District performed many energy conservation repairs and maintenance projects funded by the issuance of \$798,000 of energy conservation notes.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,677,976 or 52.92% of total governmental expenses for fiscal year 2011.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2011 and 2010.

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 table on the following page 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. The 2010 net cost of services for special instruction has been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

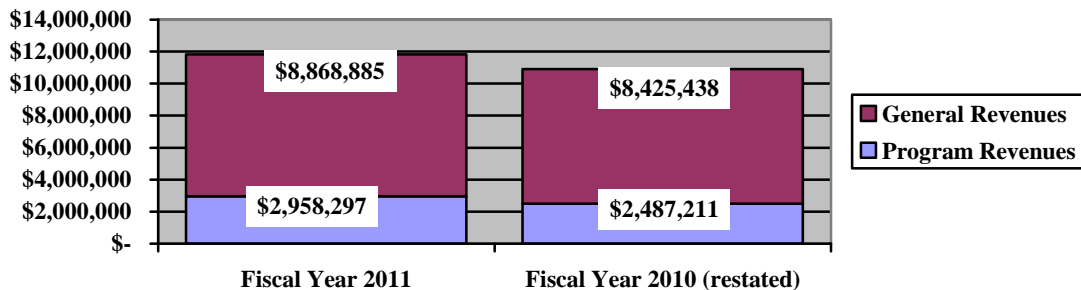
Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 5,028,657	\$ 4,080,554	\$ 4,893,257	\$ 3,998,285
Special	1,356,131	577,009	1,394,763	655,316
Vocational	256,472	219,181	224,988	174,363
Other	36,716	(2,021)	45,490	4,899
Support services:				
Pupil	372,272	302,358	342,011	339,587
Instructional staff	316,740	259,733	256,484	256,484
Board of education	62,275	62,275	44,284	44,284
Administration	900,433	870,024	824,262	796,018
Fiscal	320,607	320,607	289,972	289,972
Business	6,823	6,823	39,528	39,528
Operations and maintenance	1,936,730	1,623,823	1,063,559	1,063,559
Pupil transportation	603,437	578,574	802,184	695,816
Central	221,517	209,692	207,161	199,866
Operation of non-instructional services:				
Other non-instructional services	-	-	4,382	(182)
Food service operations	475,787	14,894	495,844	63,358
Extracurricular activities	438,786	277,137	438,805	258,610
Interest and fiscal charges	285,215	259,638	270,657	270,657
Total expenses	\$ 12,618,598	\$ 9,660,301	\$ 11,637,631	\$ 9,150,420

The dependence upon tax and other general revenues for governmental activities is apparent, 73.00% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.56%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the most significant sources of support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2011 and 2010.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The District's Funds

The District's governmental funds reported a combined fund balance of \$1,446,487, which is higher than last year's total of \$1,395,585. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase (Decrease)	Percentage Change
General	\$ 950,670	\$ 1,034,738	\$ (84,068)	(8.12) %
Other Governmental	<u>495,817</u>	<u>360,847</u>	<u>134,970</u>	37.40 %
Total	<u>\$ 1,446,487</u>	<u>\$ 1,395,585</u>	<u>\$ 50,902</u>	3.65 %

General Fund

The District's general fund balance decreased \$84,068. The decrease in fund balance can be attributed primarily to transfers that the general fund made to other nonmajor governmental funds. Revenues exceeded expenditures during fiscal year 2011 by \$81,710. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,756,621	\$ 3,427,734	\$ 328,887	9.59 %
Tuition	544,701	507,166	37,535	7.40 %
Earnings on investments	2,907	10,092	(7,185)	(71.20) %
Intergovernmental	5,197,505	5,231,780	(34,275)	(0.66) %
Other revenues	<u>113,916</u>	<u>119,363</u>	<u>(5,447)</u>	(4.56) %
Total	<u>\$ 9,615,650</u>	<u>\$ 9,296,135</u>	<u>\$ 319,515</u>	3.44 %
<u>Expenditures</u>				
Instruction	\$ 5,620,802	\$ 5,550,396	\$ 70,406	1.27 %
Support services	3,627,697	3,690,069	(62,372)	(1.69) %
Extracurricular activities	<u>285,441</u>	<u>283,184</u>	<u>2,257</u>	0.80 %
Total	<u>\$ 9,533,940</u>	<u>\$ 9,523,649</u>	<u>\$ 10,291</u>	0.11 %

Revenues of the general fund increased \$319,515 or 3.44%. The most significant increase was in the area of taxes which increased \$328,887 or 9.59%. This increase is due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2011 and June 30, 2010 was \$641,988 and \$303,859, respectively. The amount of tax advance available at year-end can vary depending upon when the County Auditor distributes tax bills. The increase in tuition revenue is due to increased open enrollment experienced by the District. The decrease in earnings on investments is due to lower interest rates offered on District investments. All other revenues remained comparable to the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Expenditures of the general fund increased \$10,291 or 0.11%. The most significant increase was in the area of instruction which increased \$70,406. This is primarily due to normal and customary increases in wage and benefit costs.

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 year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$9,238,340 were increased \$93,420 in the final budget. Actual revenues and other financing sources for fiscal year 2011 was \$9,279,415. This represents a \$52,345 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,573,017 were decreased to \$10,390,172 in the final appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$9,676,416, which was \$713,756 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$16,849,599 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 year 2011 balances compared to 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 414,157	\$ 414,157
Land improvements	59,138	61,174
Building and improvements	15,887,797	16,288,689
Furniture and equipment	104,837	156,054
Vehicles	315,578	368,960
Total	\$ 16,781,507	\$ 17,289,034

The overall decrease in capital assets of \$507,527 is due to depreciation expense of \$511,469 and disposals of \$123,980 (net of accumulated depreciation) exceeding capital outlays of \$127,922. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011 the District had general obligation bonds, energy conservation notes and obligations under lease-purchase agreements outstanding. Of the total long-term debt outstanding, \$255,407 is due within one year and \$4,811,486 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table summarizes the bonds, notes and lease-purchase agreement outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General Obligation Bonds	\$ 2,278,893	\$ 2,390,828
Energy conservation notes	798,000	-
Lease-purchase agreement	<u>1,990,000</u>	<u>2,038,000</u>
Total	<u>\$ 5,066,893</u>	<u>\$ 4,428,828</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District continues to manage its general fund budget prudently in order to optimize the dollars available for educating the students it serves, and to minimize the amounts needed from the District's citizens locally. The District, like most other school districts, is facing very difficult challenges in the area of budget management. Due to the ongoing real estate downturn and the potential for further loss in revenue as a result of local economic woes, the District is approaching anticipated future revenue very conservatively. The District relies heavily upon real estate taxes, income taxes (1% continuing and 1/2% for a five-year term ending 2015) and State aid to support its budget. These three areas of revenue accounted for approximately 93% of the general fund revenue in fiscal year 2011 with State aid providing the largest percentage of the three at around 55%.

In an effort to reduce costs in future years the District continues to look at innovative ways of lowering expenses where possible without affecting student programs. The District researched and instituted a House Bill 264 Energy Conservation project which replaced existing water heaters, lighting fixtures and heating and air conditioning control units in all three school buildings with more efficient equipment. The project is expected to be finished in October of 2011 and it promises to greatly reduce both electric and propane usage as well as maintenance repair costs in the above mentioned areas. All expenses are reviewed throughout the year with the entire administrative team for possible changes and reductions. When any District staff member leaves, the current administration looks at all possible alternatives before hiring a replacement.

The Superintendent Advisory Council, which was formed in 2009, continues to meet quarterly allowing the superintendent and Board members to get input from stakeholders in the community as to the direction they feel the District should be going. A Volunteer Utilization Committee was formed this year by the superintendent to maximize utilization of the vast resources available in the community and the potential for these resources to help the District reach its goals. The District's Board of Education and administrative staff understand and appreciate the importance of community involvement in helping to overcome the great challenges which lie ahead for all public schools.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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: Connie Cohn, Treasurer, Triad Local School District, 7920 Brush Lake Rd, North Lewisburg, Ohio 43060.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,227,582
Receivables:	
Property taxes	2,187,687
Income taxes.	498,614
Accounts.	7,869
Accrued interest	7
Intergovernmental	251,095
Prepayments	48,138
Materials and supplies inventory.	10,221
Unamortized bond issuance costs	51,447
Unamortized note issuance costs	8,723
Capital assets:	
Land.	414,157
Depreciable capital assets, net.	16,367,350
Capital assets, net	16,781,507
Total assets.	21,072,890
Liabilities:	
Accounts payable.	65,279
Accrued wages and benefits	723,290
Pension obligation payable.	217,344
Intergovernmental payable	53,301
Accrued interest payable	17,819
Unearned revenue	1,289,890
Long-term liabilities:	
Due within one year.	310,536
Due in more than one year.	5,202,850
Total liabilities	7,880,309
Net Assets:	
Invested in capital assets, net of related debt.	12,628,903
Restricted for:	
Classroom facilities maintenance	53,913
Debt service.	211,918
State funded programs.	1,000
Federally funded programs	273,607
Student activities	80,865
Other purposes	22,736
Unrestricted (deficit).	(80,361)
Total net assets	\$ 13,192,581

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, 2011

		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	
Governmental activities:						
Instruction:						
Regular	\$ 5,028,657	\$ 563,589	\$ 384,514	\$ -	\$	(4,080,554)
Special	1,356,131	17,023	762,099	-	-	(577,009)
Vocational	256,472	-	37,291	-	-	(219,181)
Other	36,716	-	38,737	-	-	2,021
Support services:						
Pupil	372,272	-	69,914	-	-	(302,358)
Instructional staff	316,740	-	57,007	-	-	(259,733)
Board of education	62,275	-	-	-	-	(62,275)
Administration	900,433	27,155	3,254	-	-	(870,024)
Fiscal	320,607	-	-	-	-	(320,607)
Business	6,823	-	-	-	-	(6,823)
Operations and maintenance	1,936,730	4,754	308,153	-	-	(1,623,823)
Pupil transportation	603,437	-	24,863	-	-	(578,574)
Central	221,517	-	11,825	-	-	(209,692)
Operation of non-instructional services:						
Food service operations	475,787	246,920	213,973	-	-	(14,894)
Extracurricular activities	438,786	145,843	15,806	-	-	(277,137)
Interest and fiscal charges	285,215	-	-	25,577	-	(259,638)
Totals	\$ 12,618,598	\$ 1,005,284	\$ 1,927,436	\$ 25,577	\$	(9,660,301)
General Revenues:						
Property taxes levied for:						
General purposes						2,251,085
Classroom facilities maintenance						36,677
Debt service						238,796
Income taxes levied for:						
General purposes						1,574,161
Grants and entitlements not restricted to specific programs						4,742,975
Investment earnings						2,907
Miscellaneous						22,284
Total general revenues						8,868,885
Change in net assets						(791,416)
Net assets at beginning of year						13,983,997
Net assets at end of year					\$	13,192,581

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 747,947	\$ 477,135	\$ 1,225,082
Receivables:			
Property taxes.	1,951,776	235,911	2,187,687
Income taxes	498,614	-	498,614
Accounts	7,869	-	7,869
Accrued interest	7	-	7
Intergovernmental.	4,549	246,546	251,095
Prepayments.	48,138	-	48,138
Materials and supplies inventory.	-	10,221	10,221
Restricted assets:			
Equity in pooled cash and cash equivalents	2,500	-	2,500
Total assets	<u>\$ 3,261,400</u>	<u>\$ 969,813</u>	<u>\$ 4,231,213</u>
Liabilities:			
Accounts payable	\$ 37,499	\$ 27,780	\$ 65,279
Accrued wages and benefits.	696,611	26,679	723,290
Compensated absences payable	18,920	-	18,920
Early retirement incentive payable	-	30,000	30,000
Intergovernmental payable	51,340	1,961	53,301
Pension obligation payable	192,023	25,321	217,344
Deferred revenue	149,915	236,787	386,702
Unearned revenue.	1,164,422	125,468	1,289,890
Total liabilities.	<u>2,310,730</u>	<u>473,996</u>	<u>2,784,726</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	10,221	10,221
Prepayments	48,138	-	48,138
Restricted:			
Debt service	-	194,221	194,221
Classroom facilities maintenance	-	51,369	51,369
Food service operations	-	37,112	37,112
Special education	-	58,562	58,562
Other purposes.	-	1,333	1,333
Extracurricular.	-	80,865	80,865
School bus purchases	2,500	-	2,500
Committed:			
Capital improvements	-	64,249	64,249
Underground storage tank	11,000	-	11,000
Assigned:			
Student instruction	13,546	-	13,546
Student and staff support.	14,876	-	14,876
Public school support and school supplies	37,209	-	37,209
Other purposes.	1,811	-	1,811
Unassigned (deficit)	821,590	(2,115)	819,475
Total fund balances	<u>950,670</u>	<u>495,817</u>	<u>1,446,487</u>
Total liabilities and fund balances	<u>\$ 3,261,400</u>	<u>\$ 969,813</u>	<u>\$ 4,231,213</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, 2011

Total governmental fund balances		\$	1,446,487
<i>Amounts reported for governmental activities on 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.			16,781,507
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	165,607	
Intergovernmental receivable		221,095	
Total			386,702
Unamortized bond issuance costs are not recognized in the funds.			51,447
Unamortized note issuance costs are not recognized in the funds.			8,723
Unamortized premiums on bond issuances are not recognized in the funds.			(156,847)
Unamortized discounts on note issuances are not recognized in the funds.			6,448
Unamortized deferred charges on refundings are not recognized in the funds.			105,394
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(17,819)
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		(2,278,893)	
Lease-purchase agreement		(1,990,000)	
Compensated absences		(352,568)	
Energy conservation notes payable		(798,000)	
Total			(5,419,461)
Net assets of governmental activities		\$	13,192,581

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 2,182,460	\$ 266,168	\$ 2,448,628
Income taxes	1,574,161	-	1,574,161
Tuition	544,701	-	544,701
Earnings on investments	2,907	45	2,952
Charges for services	-	246,920	246,920
Extracurricular	50,642	125,431	176,073
Classroom materials and fees	32,836	-	32,836
Rental income	4,754	-	4,754
Contributions and donations	13,930	15,806	29,736
Other local revenues	11,754	-	11,754
Intergovernmental - state	5,197,505	53,550	5,251,055
Intergovernmental - federal	-	1,219,756	1,219,756
Total revenues	<u>9,615,650</u>	<u>1,927,676</u>	<u>11,543,326</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,378,230	411,993	4,790,223
Special	1,010,971	324,140	1,335,111
Vocational	231,601	4,371	235,972
Other	-	36,716	36,716
Support services:			
Pupil	281,743	76,894	358,637
Instructional staff	232,151	67,933	300,084
Board of education	61,517	-	61,517
Administration	865,931	-	865,931
Fiscal	305,116	7,435	312,551
Business	6,823	-	6,823
Operations and maintenance	1,104,676	806,358	1,911,034
Pupil transportation	578,443	36,011	614,454
Central	191,297	22,255	213,552
Operation of non-instructional services:			
Food service operations	-	434,250	434,250
Extracurricular activities	285,441	134,719	420,160
Debt service:			
Principal retirement	-	218,000	218,000
Interest and fiscal charges	-	222,467	222,467
Note issuance costs	-	9,177	9,177
Total expenditures	<u>9,533,940</u>	<u>2,812,719</u>	<u>12,346,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,710</u>	<u>(885,043)</u>	<u>(803,333)</u>
Other financing sources (uses):			
Sale of notes	-	798,000	798,000
Transfers in	-	173,453	173,453
Transfers (out)	(165,778)	(7,675)	(173,453)
Discount on notes sold	-	(6,783)	(6,783)
Insurance proceeds	-	63,018	63,018
Total other financing sources (uses)	<u>(165,778)</u>	<u>1,020,013</u>	<u>854,235</u>
Net change in fund balances	(84,068)	134,970	50,902
Fund balances at beginning of year (restated).	<u>1,034,738</u>	<u>360,847</u>	<u>1,395,585</u>
Fund balances at end of year.	<u>\$ 950,670</u>	<u>\$ 495,817</u>	<u>\$ 1,446,487</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, 2011

Net change in fund balances - total governmental funds	\$	50,902
<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 their estimated useful lives as depreciation expense. This is the amount by which depreciation expenses exceeds capital outlays in the current period.		
Capital asset additions	\$ 127,922	
Current year depreciation	<u>(511,469)</u>	
Total		(383,547)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(123,980)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	77,930	
Intergovernmental	<u>204,190</u>	
Total		282,120
Repayment of bond and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	170,000	
Lease-purchase agreement	<u>48,000</u>	
Total		218,000
Issuances of notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(798,000)
Discounts on notes and note issuance costs related to the issuance of notes are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Discounts on notes sold	6,783	
Note issuance costs	<u>9,177</u>	
Total		15,960
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(3,894)	
Accreted interest on capital appreciation bonds	(58,065)	
Amortization of bond issuance costs	(4,506)	
Amortization of bond premiums	13,738	
Amortization of note issuance costs	(454)	
Amortization of note discounts	(335)	
Amortization of deferred charges on refundings	<u>(9,232)</u>	
Total		(62,748)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>9,877</u>
Change in net assets of governmental activities	\$	<u>(791,416)</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 1,811,440	\$ 1,819,091	\$ 1,844,331	\$ 25,240
Income taxes.	1,598,000	1,629,769	1,596,818	(32,951)
Tuition.	501,100	501,100	551,851	50,751
Earnings on investments	11,000	11,000	2,908	(8,092)
Extracurricular.	24,000	24,000	20,412	(3,588)
Classroom materials and fees	27,800	27,800	29,688	1,888
Rental income	-	-	4,754	4,754
Contributions and donations	-	-	10,530	10,530
Other local revenues	32,000	32,000	11,754	(20,246)
Intergovernmental - state	5,213,000	5,267,000	5,197,602	(69,398)
Total revenues	<u>9,218,340</u>	<u>9,311,760</u>	<u>9,270,648</u>	<u>(41,112)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,812,801	4,563,958	4,358,429	205,529
Special.	1,054,740	1,061,130	1,014,500	46,630
Vocational.	238,592	238,883	232,977	5,906
Support services:				
Pupil.	378,702	378,781	279,290	99,491
Instructional staff	300,025	297,525	247,714	49,811
Board of education	51,444	57,619	59,077	(1,458)
Administration.	863,964	868,964	843,240	25,724
Fiscal	303,257	307,257	295,198	12,059
Business	9,700	9,700	6,823	2,877
Operations and maintenance.	1,179,394	1,181,818	1,090,659	91,159
Pupil transportation	635,828	677,490	598,537	78,953
Central.	276,522	276,542	198,969	77,573
Extracurricular activities.	294,363	294,727	285,225	9,502
Facilities acquisition and construction	10,000	10,000	-	10,000
Total expenditures	<u>10,409,332</u>	<u>10,224,394</u>	<u>9,510,638</u>	<u>713,756</u>
Excess of expenditures over revenues	<u>(1,190,992)</u>	<u>(912,634)</u>	<u>(239,990)</u>	<u>672,644</u>
Other financing sources (uses):				
Refund of prior year's expenditures	20,000	20,000	8,767	(11,233)
Transfers (out).	(163,685)	(165,778)	(165,778)	-
Total other financing sources (uses)	<u>(143,685)</u>	<u>(145,778)</u>	<u>(157,011)</u>	<u>(11,233)</u>
Net change in fund balance	(1,334,677)	(1,058,412)	(397,001)	661,411
Fund balance at beginning of year (restated).	987,565	987,565	987,565	-
Prior year encumbrances appropriated	81,619	81,619	81,619	-
Fund balance (deficit) at end of year.	<u>\$ (265,493)</u>	<u>\$ 10,772</u>	<u>\$ 672,183</u>	<u>\$ 661,411</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2011

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 71,989
Total assets.	<u>\$ 71,989</u>
Liabilities:	
Due to students.	\$ 71,989
Total liabilities	<u>\$ 71,989</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, 2011

	Private-Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 500
Change in net assets.	(500)
Net assets at beginning of year	500
Net assets at end of year.	\$ -

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, 2011

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 470th largest in the State of Ohio among 918 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 41 non-certified employees, 85 certified full-time teachers and other personnel who provide services to 1,037 students and other community members. The District currently operates three instructional buildings and one administrative building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 Sheakley UniService, Inc. 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 OSP 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 districts' superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's only major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

Revenues - Exchange and Nonexchange 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) and revenue from District income taxes is recognized in the year in which the income is earned (See Note 7).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue in the governmental funds.

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 entitlement 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the 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 level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 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 July 1, 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.

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. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

During fiscal year 2011, investments were limited to 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 certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. 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 shares price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$2,907, which includes \$1,082 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.

G. Inventory

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

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

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

H. Capital Assets

General capital assets are those assets 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no outstanding interfund balances at June 30, 2011.

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.

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

K. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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 and compensated absences 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 and leases are recognized as a liability on the fund financial statements when due.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. Amounts restricted for other purposes include the amounts restricted for food service and amounts restricted for school bus purchases.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

O. Estimates

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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 and Note Issuance Costs/Bond and Note Premium and Discount/Accounting Gain or Loss

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

Bond and note premiums and discounts are deferred and amortized over the term of the bonds and notes using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and note discounts are presented as a subtraction from the face amount of the notes. A reconciliation between the bonds and notes face value and the amount reported on the statement of net assets is presented in Note 10.

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 and note premiums and discounts are recognized in the current period.

R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents restricted for school bus purchases. These restricted assets are required due to restrictions placed on the monies by the State of Ohio.

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 or special items during fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 990,137	\$ 405,448	\$ 1,395,585
Fund reclassifications:			
Public school support fund	31,897	(31,897)	-
Underground storage tank fund	11,000	(11,000)	-
Uniform school supplies fund	<u>1,704</u>	<u>(1,704)</u>	<u>-</u>
Total fund reclassifications	<u>44,601</u>	<u>(44,601)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 1,034,738</u>	<u>\$ 360,847</u>	<u>\$ 1,395,585</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis	<u>General Fund</u>
Fund balance at June 30, 2010	\$ 989,308
Funds budgeted elsewhere	<u>(1,743)</u>
Restated fund balance at July 1, 2010	<u>\$ 987,565</u>

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 39
Title I	1,834
Improving teacher quality	242

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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.

Protection of the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$657,111. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$295,973 of the District’s bank balance of \$744,169 was exposed to custodial risk as discussed below, while \$448,196 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 642,460	\$ 642,460

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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 642,460	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 657,111
Investments	<u>642,460</u>
Total	<u>\$ 1,299,571</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,227,582
Agency fund	<u>71,989</u>
Total	<u>\$ 1,299,571</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 165,778
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>7,675</u>
Total	<u>\$ 173,453</u>

Transfers are used to move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires them to be expended from and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the classroom facilities fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was a residual equity transfer.

Transfers between governmental funds are eliminated on the government-wide statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Champaign, Logan and Union Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$641,988 in the general fund, \$78,493 in the debt service fund (a nonmajor governmental fund) and \$11,709 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$303,859 in the general fund, \$38,311 in the debt service fund (a nonmajor governmental fund) and \$5,270 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 97,618,300	96.00	\$ 100,827,170	96.74
Public utility personal	3,591,860	3.53	3,395,130	3.26
Tangible personal property	<u>482,840</u>	<u>0.47</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 101,693,000</u>	<u>100.00</u>	<u>\$ 104,222,300</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$25.60		\$25.60	
Debt service	2.50		2.50	
Classroom facilities maintenance	0.50		0.50	

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. 1.0% is a continuing tax, while .50% was approved in 2009 for five years. SDIT revenue received by the general fund during fiscal year 2011 was \$1,574,161.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 2,187,687
Income taxes	498,614
Accounts	7,869
Accrued interest	7
Intergovernmental	<u>251,095</u>
 Total	 <u>\$ 2,945,272</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<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	20,037,902	-	-	20,037,902
Furniture and equipment	830,169	50,099	(60,747)	819,521
Vehicles	978,721	77,823	(133,744)	922,800
Total capital assets, being depreciated	<u>21,922,224</u>	<u>127,922</u>	<u>(194,491)</u>	<u>21,855,655</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(14,258)	(2,036)	-	(16,294)
Building and improvements	(3,749,213)	(400,892)	-	(4,150,105)
Furniture and equipment	(674,115)	(58,858)	18,289	(714,684)
Vehicles	(609,761)	(49,683)	52,222	(607,222)
Total accumulated depreciation	<u>(5,047,347)</u>	<u>(511,469)</u>	<u>70,511</u>	<u>(5,488,305)</u>
Governmental activities capital assets, net	<u>\$ 17,289,034</u>	<u>\$ (383,547)</u>	<u>\$ (123,980)</u>	<u>\$ 16,781,507</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 245,563
Special	38,369
Vocational	11,003
<u>Support services:</u>	
Pupil	11,487
Instructional staff	11,931
Board of education	758
Administration	40,084
Fiscal	9,236
Operations and maintenance	30,196
Pupil transportation	49,042
Central	6,711
<u>Operation of non-instructional services:</u>	
Food service operations	38,560
Extracurricular activities	<u>18,529</u>
Total depreciation expense	<u>\$ 511,469</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
Series 2006 G.O. Bonds:					
Current interest	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
Capital appreciation	184,994	-	(73,843)	111,151	60,344
Accreted interest	205,834	58,065	(96,157)	167,742	91,063
Series 2010 energy conservation notes	-	798,000	-	798,000	53,000
Lease-purchase agreement	2,038,000	-	(48,000)	1,990,000	51,000
Compensated absences	<u>390,656</u>	<u>117,837</u>	<u>(107,005)</u>	<u>401,488</u>	<u>55,129</u>
Total	<u>\$ 4,819,484</u>	<u>\$ 973,902</u>	<u>\$ (325,005)</u>	5,468,381	<u>\$ 310,536</u>
Less: Unamortized deferred charge on refunding				(105,394)	
Add: Unamortized premium on bond issuance				156,847	
Less: Unamortized discounts on note issuance				<u>(6,448)</u>	
Total on statement of net assets				<u>\$ 5,513,386</u>	

Compensated absences will be paid from the fund which the employees' salaries are paid, which are the general fund and the food service fund (a nonmajor governmental fund). During fiscal year 2011, the Board of Education offered an early retirement incentive to non-union staff members with 30 or more years of service. The incentive consisted of a one time payment in the amount of \$30,000 to be paid in addition to the employees' regular severance package. Three employees took advantage of the incentive. Two were paid during the current fiscal year and one will be paid in fiscal year 2012. The \$30,000 due in the next fiscal year has been recorded as a liability of the other governmental fund. The early retirement incentive activity has been included in the schedule above as part of compensated absences.

- B. Series 2006 Bonds - On January 26, 2006 the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2000 Construction 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 final stated maturity of the current interest bonds is December 1, 2022. The capital appreciation bonds mature on 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 \$167,742 has been included on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Payments of principal and interest on the Series 2006A refunding bonds will be made from the debt service fund (a nonmajor governmental 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
2012	\$ -	\$ 79,113	\$ 79,113	\$ 60,344	\$ 104,656	\$ 165,000
2013	-	79,112	79,112	50,807	114,193	165,000
2014	165,000	79,113	244,113	-	-	-
2015	175,000	72,513	247,513	-	-	-
2016	180,000	65,513	245,513	-	-	-
2017 - 2021	1,015,000	215,625	1,230,625	-	-	-
2022 - 2023	465,000	28,200	493,200	-	-	-
Total	<u>\$ 2,000,000</u>	<u>\$ 619,189</u>	<u>\$ 2,619,189</u>	<u>\$ 111,151</u>	<u>\$ 218,849</u>	<u>\$ 330,000</u>

- C. Series 2010 Energy Conservation Notes - During fiscal year 2011, the District issued \$798,000 of energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The unmatured obligations at year end are accounted for in the statement of net assets. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 53,000	\$ 40,504	\$ 93,504
2013	50,000	37,800	87,800
2014	50,000	35,175	85,175
2015	50,000	32,550	82,550
2016	50,000	29,925	79,925
2017 - 2021	270,000	108,150	378,150
2022 - 2026	275,000	36,094	311,094
Total	<u>\$ 798,000</u>	<u>\$ 320,198</u>	<u>\$ 1,118,198</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 were commingled with funding received from the Ohio 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 Municipal Airport Authority to become Columbus Regional Airport Authority. Principal and interest payments related to the lease-purchase agreement are made from the debt service fund (a nonmajor governmental fund).

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2011 follows:

Fiscal Year Ending June 30.	Lease-Purchase Agreement		
	Principal	Interest	Total
2012	\$ 51,000	\$ 113,155	\$ 164,155
2013	54,000	110,131	164,131
2014	57,000	106,934	163,934
2015	60,000	103,565	163,565
2016	64,000	99,994	163,994
2017 - 2021	378,000	438,913	816,913
2022 - 2026	502,000	312,882	814,882
2027 - 2031	667,000	145,641	812,641
2032	157,000	4,522	161,522
Total	<u>\$ 1,990,000</u>	<u>\$ 1,435,737</u>	<u>\$ 3,425,737</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 used 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, 2011, are a voted debt margin of \$7,463,077 (including available funds of \$194,221) and an unvoted debt margin of \$104,222.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 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	\$34,840,184	\$1,000
Audio Visual Equipment	included	1,000
Miscellaneous Equipment	included	1,000
Electronic Equipment	included	1,000
Automobile Liability	3,000,000	1,000
General Liability		
Per occurrence	3,000,000	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 2011, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers’ compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school Districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP’s selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

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 Dublin, Ohio facility. Medical Mutual is the PPO provider for the CDMU.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

Postemployment 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

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$143,548, \$152,042 and \$105,675, respectively; 51.07 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$607,013, \$556,781 and \$566,338, respectively; 84.77 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,631 made by the District and \$9,022 made by the plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$35,945, \$30,216 and \$71,300, respectively 51.07 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,238, \$9,042 and \$8,719, respectively; 51.07 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$46,693, \$42,829 and \$43,564, respectively; 84.77 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (397,001)
Net adjustment for revenue accruals	308,224
Net adjustment for expenditure accruals	(18,622)
Net adjustment for other sources/uses	(8,767)
Funds budgeted elsewhere	3,676
Adjustment for encumbrances	28,422
GAAP basis	\$ (84,068)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the rotary fund, public school support fund, underground storage tank fund and the uniform school supplies fund.

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.

NOTE 16 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES - (Continued)

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	155,635	155,635
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(101,949)	(150,889)
Excess qualified expenditures from prior years	(928,136)	-
Current year offsets	-	(4,746)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (874,450)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and excess qualified disbursements from prior years during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. The District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

The District also had \$2,500 restricted for school bus purchases at June 30, 2011.

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 22,214
Other governmental	<u>77,678</u>
Total	<u>\$ 99,892</u>

SUPPLEMENTARY DATA

**TRIAD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(D)(E) School Breakfast Program	10.553	2011	\$ 36,674	\$ 36,674
(C)(E) National School Lunch Program-Food Donation	10.555	2011	28,509	28,509
(D)(E) National School Lunch Program	10.555	2011	144,678	144,678
Total National School Lunch Program			<u>173,187</u>	<u>173,187</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>209,861</u>	<u>209,861</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F)(H) Title I School Improvement	84.010	2010	13,905	2,136
(F)(H) Title I School Improvement	84.010	2011	2,111	-
(F)(H) Title I Grants to Local Educational Agencies	84.010	2010	(399)	30
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	107,108	102,324
Total Title I Grants to Local Educational Agencies			<u>122,725</u>	<u>104,490</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	13,837	-
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	37,565	37,565
Total Title I Grants to Local Educational Agencies Recovery Act			<u>51,402</u>	<u>37,565</u>
Total Title I Grant Cluster			<u>174,127</u>	<u>142,055</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	182,915	182,915
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2011	149,494	86,476
Total Special Education Grant Cluster			<u>332,409</u>	<u>269,391</u>
Educational Technology State Grants	84.318	2010	416	416
Educational Technology State Grants	84.318	2011	360	360
Total Educational Technology State Grants			<u>776</u>	<u>776</u>
(H) Improving Teacher Quality State Grants	84.367	2010	1,940	-
(H) Improving Teacher Quality State Grants	84.367	2011	56,377	55,280
Total Improving Teacher Quality State Grants			<u>58,317</u>	<u>55,280</u>
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	2010	-	5,868
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	2011	414,931	414,931
Total State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act			<u>414,931</u>	<u>420,799</u>
Education Jobs Grant	84.410	2011	60,000	60,000
Total U.S. Department of Education			<u>1,040,560</u>	<u>948,301</u>
Total Federal Financial Assistance			<u>\$ 1,250,421</u>	<u>\$ 1,158,162</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
(B) This schedule was prepared on the cash basis of accounting.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) Included as part of "Child Nutrition Cluster" in determining major programs.
(F) Included as part of "Title I Grant Cluster" in determining major programs.
(G) Included as part of "Special Education Grant Cluster" in determining major programs.
(H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I School Improvem	84.010	2010	\$ 2,111	
Title I School Improvem	84.010	2011		\$ 2,111
Title I Grants to Local Educational Agency	84.010	2010	4,784	
Title I Grants to Local Educational Agency	84.010	2011		4,784
Improving Teacher Quality State Grants	84.367	2010	1,097	
Improving Teacher Quality State Grants	84.367	2011		1,097
Totals			<u>\$ 7,992</u>	<u>\$ 7,992</u>



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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Triad Local School District
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Triad Local School District's basic financial statements and have issued our report thereon dated December 14, 2011. We noted that the Triad Local School District adopted Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Triad Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Triad Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Triad Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Triad Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Triad Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Triad Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Triad Local School District, federal awarding agencies and pass-through entities, and others within the Triad Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.
December 14, 2011



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**Independent Accountants' Report on Compliance With Requirements Applicable to Its
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Triad Local School District
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

Compliance

We have audited the compliance of the Triad Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Triad Local School District's major federal program for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Triad Local School District's major federal program. The Triad Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Triad Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Triad Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Triad Local School District's compliance with those requirements.

In our opinion, the Triad Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Triad Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Triad Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Triad Local School District's internal control over compliance.

Board of Education
Triad Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Triad Local School District, federal awarding agencies and pass-through entities, and others within the Triad Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.
December 14, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Triad Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 14, 2011

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Dave Yost • 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 31, 2012