



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

We have audited the accompanying financial statements of Triway Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Triway Local School District as of and for the year ended June 30, 2012 in accordance with accounting principles generally accepted in the United States of America.

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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We conducted our audit to opine on the District's financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the 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 financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2012, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditures Schedule.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

February 28, 2013

TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$6,006,825			\$518,815	\$6,525,640
Intergovernmental	8,426,451	\$1,257,687		129,144	9,813,282
Interest	3,710				3,710
Tuition and Fees	724,617				724,617
Rent	547				547
Extracurricular Activities		280,764			280,764
Gifts and Donations		6,500			6,500
Miscellaneous	156,790				156,790
<b>Total Cash Receipts</b>	<b>15,318,940</b>	<b>1,544,951</b>		<b>647,959</b>	<b>17,511,850</b>
<b>CASH DISBURSEMENTS:</b>					
Instruction:					
Regular	8,829,181	10,769		18,215	8,858,165
Special	1,549,824	708,431			2,258,255
Vocational	316,937				316,937
Other	91,782				91,782
Support Services:					
Pupils	649,238				649,238
Instructional Staff	246,835	357,839			604,674
Board of Education	38,715				38,715
Administration	1,550,547				1,550,547
Fiscal	321,116			10,327	331,443
Business	47,198				47,198
Operation and Maintenance of Plant	1,404,185			66,547	1,470,732
Pupil Transportation	999,513	12,000			1,011,513
Central	162,807			191,575	354,382
Operation of Non-Instructional Services:					
Community Services		120,000			120,000
Extracurricular Activities:					
Academic Oriented Activities	84,218	79,272			163,490
Sport Oriented Activities	247,257	182,817			430,074
School and Public Service Co-Curricular Activities		17,143			17,143
Capital Outlay:					
Site Improvement Services				34,160	34,160
Architecture and Engineering Services				5,176	5,176
Building Improvement Services				361,702	361,702
Debt Service:					
Principal Payments			273,403		273,403
Interest and Fiscal Charges			103,623		103,623
<b>Total Cash Disbursements</b>	<b>16,539,353</b>	<b>1,488,271</b>	<b>377,026</b>	<b>687,702</b>	<b>19,092,352</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,220,413)	56,680	(377,026)	(39,743)	(1,580,502)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In			377,026		377,026
Refund of Prior Year Expenditures	23,659				23,659
Transfers Out	(58,287)			(318,739)	(377,026)
<b>Total Other Financing Sources (Uses)</b>	<b>(34,628)</b>		<b>377,026</b>	<b>(318,739)</b>	<b>23,659</b>
Net Change in Fund Cash Balances	(1,255,041)	56,680		(358,482)	(1,556,843)
Fund Cash Balances, July 1, 2011, restated	1,818,996	83,046		3,018,100	4,920,142
Fund Cash Balances, June 30, 2012:					
Restricted	699	139,726		2,659,618	2,800,043
Assigned	122,896				122,896
Unassigned	440,360				440,360
<b>Total Fund Cash Balances, June 30, 2012</b>	<b>\$ 563,955</b>	<b>\$ 139,726</b>	<b>\$ -</b>	<b>\$ 2,659,618</b>	<b>\$ 3,363,299</b>

See Accompanying Notes to the Financial Statements

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>OPERATING CASH RECEIPTS:</b>				
Sales	\$354,413			\$354,413
Charges for Services		\$8,493		8,493
Extracurricular			\$85,104	85,104
Miscellaneous			44	44
Total Operating Cash Receipts	<u>354,413</u>	<u>8,493</u>	<u>85,148</u>	<u>448,054</u>
<b>OPERATING CASH DISBURSEMENTS:</b>				
Salaries	272,409			272,409
Fringe Benefits	161,681			161,681
Purchased Services	29,940	9,654		39,594
Materials and Supplies	258,554			258,554
Capital Outlay	20,800			20,800
Other			85,918	85,918
Total Operating Cash Disbursements	<u>743,384</u>	<u>9,654</u>	<u>85,918</u>	<u>838,956</u>
<b>NON-OPERATING CASH RECEIPTS:</b>				
Federal and State Subsidies	362,836			362,836
Total Non-Operating Cash Receipts	<u>362,836</u>	<u>0</u>	<u>0</u>	<u>362,836</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(26,135)	(1,161)	(770)	(28,066)
Fund Cash Balance, July 1, 2011, restated	<u>82,042</u>	<u>1,388</u>	<u>39,653</u>	<u>123,083</u>
Fund Cash Balance, June 30, 2012	<u>\$55,907</u>	<u>\$227</u>	<u>\$38,883</u>	<u>\$95,017</u>
Reserve for Encumbrances, June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$125</u>	<u>\$125</u>

See Accompanying Notes to the Financial Statements



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Triway Local School District (the "District") is located in Wayne and Holmes Counties. The District includes all of the Village of Shreve and portions of Prairie, Clinton, Franklin, Wooster and Plain Townships. The District also includes a portion of the City of Wooster. The District serves an area of approximately 95 square miles.

The District was organized in 1960, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates three elementary schools, one junior high school, and one comprehensive high school. The District employs 79 non-certified and 141 certified full-time and part-time employees to provide services to approximately 1,814 students in grades K through 12 and various community groups.

**B. Basis of Accounting**

Although required by Ohio Administrative Code 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Funds**

**General Fund**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue**

Special Revenue funds are used to account for the proceeds of special revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

**Debt Service**

The Debt Service fund is used to account for the accumulation of resources for the payment of general long-term obligation principal, interest, and related costs. The District had the following significant Debt Service Fund:

*Bond Retirement Fund* - This fund retires the general obligation debt of the District.

**Capital Projects**

Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The District had the following significant Capital Projects Fund:

*Permanent Improvement Fund* - This fund expends funds for continuous capital improvements within the District.

**Internal Service Fund**

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis. The District had the following significant Internal Service Fund:

*Employee Benefits Self - Insurance Fund* - This fund accounts for monies to pay claims for employees under the District's self-insurance plan.

**Enterprise Fund**

These funds are used to account for operations that are similar to private business enterprises where management intends that significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Fund:

*Food Service Fund* - This fund assists the District in administering food services that provide healthy, nutritious meals to eligible children.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Agency Funds**

Agency Funds are used account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds. The District had the following significant Agency Fund:

*Student Activities Fund* - This fund accounts for student activity programs that encourage student participation in activities and management of fund finances.

**E. Budgetary Process**

1. Budget

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, certificate of estimated resources and the appropriation resolutions, which are prepared on a budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 primary level of budgetary control has been established by the Board of Education at the fund level of expenditures for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

2. Appropriations

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications. The Certificate of Estimated Resources serves as the basis for the annual appropriation measure.

3. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the District by March 1. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. On or about July 1, the certificate is amended to include any

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**E. Budgetary Process (continued)**

3. Estimated Resources (continued)

unencumbered cash balances from the preceding year. Budget receipts as shown in Note 3 to financial statements do not include July 1, 2011 unencumbered fund balances. However, those fund balances were available for appropriation. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2012 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**H. Total Columns on the Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**I. 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:

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**I. Fund Balance (continued)**

*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.

*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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. During the fiscal year, all investments were limited 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 repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

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

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

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

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

Protection of 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.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. 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,

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.

**Cash on Hand** – Change fund of \$3,700 is included on the financial statements as part of fund cash balances.

**Deposits** – The carrying amounts of the District's deposits were as follows:

	2012
Demand Deposits	\$779,753

The bank balance was \$808,154 as of June 30, 2012. As of June 30, 2012, the entire bank balance was covered by federal depository insurance.

**Investments** – As of June 30, 2012, the District had the following investments:

	2012
Savings Accounts	\$2,578,545
Star Ohio	461,021
	\$3,039,565



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2012 is as follows:

	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 14,952,118	\$ 15,227,576	275,458
Special Revenue	1,651,017	1,659,974	8,957
Debt Service	377,026	377,026	-
Capital Projects	647,960	647,959	(1)
Internal Service	10,000	8,493	(1,507)
Enterprise	700,000	717,249	17,249

	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 16,500,000	\$ 16,500,001	\$ (1)
Special Revenue	1,699,485	1,625,528	73,957
Debt Service	377,026	377,026	-
Capital Projects	1,044,239	1,020,552	23,687
Internal Service	10,000	9,654	346
Enterprise	760,000	743,384	16,616

The Public School Support Fund (018) is reclassified to the General Fund in the Combined Statement of Receipts, Disbursements and Changes in fund Balance in accordance with GASB Statement 54. For the budgetary activity tables reflected above, the Public School Support Fund (receipts of \$115,023 and disbursements, excluding encumbrances, of \$110,059) is presented with the Special Revenue Fund type.

**NOTE 4 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 – PROPERTY TAXES (continued)**

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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 received in the District's fiscal year ended June 30, 2012 (other than public utility) generally represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the values listed as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

The Wayne and Holmes County Treasurers collect property taxes on behalf of the District. The Wayne and Holmes County Auditors remit the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each October for personal property.

The full tax rate at the fiscal year ended June 30, 2012 was \$49.40 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2012 taxes were collected were as follows:

<u>Wayne County</u>	<u>2011</u>	<u>2010</u>
Real Property		
Residential/Agricultural	\$201,883,600	\$205,607,250
Commercial/Industrial/Public Utilities	30,109,420	30,071,190
Tangible Personal Property		
PUCO Personal	13,480,340	10,617,920
Telephone PP	<u>0</u>	<u>246,480</u>
Total Valuation	<u>\$245,473,360</u>	<u>\$246,542,840</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 – PROPERTY TAXES (continued)**

Holmes County	2011	2010
Real Property		
Residential/Agricultural	\$2,566,440	\$2,569,890
Commercial/Industrial/Public Utilities	182,040	182,170
Tangible Personal Property		
PUCO Personal	12,310	11,590
Telephone PP	-	-
Total Valuation	<u>\$2,760,790</u>	<u>\$2,763,650</u>

**NOTE 5 - 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](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contributions to SERS for the years ended June 30, 2012, 2011 and 2010 were \$242,891, \$267,477, and \$264,806, respectively; which equaled the required contribution each year.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5 - PENSION PLANS (continued)**

**B. State Teachers Retirement System**

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 Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 2012, 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, 2012, 2011, and 2010 were \$1,062,498, \$1,203,609, and \$1,103,507, respectively; 100 percent has been contributed for all fiscal years.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6 - 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 Chapter 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 2012 was \$99.90 for most participants 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](http://www.ohsers.org), under *Employers/Audit Resources*.

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 2012, 0.55 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. Statute provides 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 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$41,489, \$46,091, and \$53,368 respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 was \$14,344 , \$16,172 and \$15,895 , respectively, which equaled the required allocations for those years.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6 - 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](http://www.strsoh.org) 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$81,730, \$85,972 and \$84,885, respectively; 100 percent had been contributed for those fiscal years.

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS**

	Balance Outstanding <u>06/30/11</u>	Additions	Reductions	Balance Outstanding <u>06/30/12</u>
2011 Tax anticipation notes	\$ 2,700,000	\$ -	\$(220,000)	\$ 2,480,000
Energy conservation notes	<u>109,549</u>	<u>-</u>	<u>(53,403)</u>	<u>56,146</u>
Total long-term obligations	<u>\$ 2,809,549</u>	<u>\$ -</u>	<u>\$(273,403)</u>	<u>\$ 2,536,146</u>

During fiscal 2011, the District issued long-term tax anticipation notes, subsequent to the passage of a 3.0 mill continuing levy for permanent improvements in 2000. The notes have an interest rate of 3.24% and mature on December 1, 2020. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes will be made from the debt service fund.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (continued)**

Fiscal Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2013	240,000	76,464	316,464
2014	250,000	68,526	318,526
2015	255,000	60,345	315,345
2016	265,000	51,921	316,921
2017	275,000	43,173	318,173
2018	285,000	34,101	319,101
2019	295,000	24,705	319,705
2020	305,000	14,985	319,985
2021	310,000	5,022	315,022
	<u>\$2,480,000</u>	<u>\$379,242</u>	<u>\$2,859,242</u>

The District issued energy conservation notes during fiscal year 1992 with an interest rate of 6.05% and a maturity date of May 18, 2013. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes as expenditures in the debt service fund. However, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from general revenues.

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

Year Ending June 30,	Energy conservation notes
2013	\$ 58,287
Total	58,287
Less: interest	(2,141)
Total principal	<u>\$ 56,146</u>

**NOTE 8 - SET ASIDES**

The District is required by State statute to annually set aside monies for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although the District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, the excess may not be carried forward to the next fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 8 - SET ASIDES (continued)**

During the fiscal year ended June 30, 2012, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2011	\$ -
Current year set-aside requirement	316,609
Current year off-sets	(518,814)
Total	<u><u>(\$202,205)</u></u>

The District received monies restricted for school bus purchases. The amount of \$699 for school bus reserves is in the General Fund at June 30, 2012.

**NOTE 9 - FUND TRANSFERS**

During the fiscal year 2012, the District transferred out from the General Fund \$58,287 to the Bond Retirement Fund – Debt Service Fund to pay the Energy Conservation note. Also, the District transferred \$318,739 from the Permanent Improvement Fund – Capital Projects Funds to the Bond Retirement Fund – Debt Service Fund to pay the tax anticipation notes. The applicable Ohio Revised Code compliance requirements were met.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATION**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized.

The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located.

Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which is the fiscal agent, located at 741 Winkler Drive, Wooster, OH 44691. During the year ended June 30, 2012, the District paid approximately \$92,690 to TCCSA.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with the Ohio School Plan. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 11 - RISK MANAGEMENT (continued)**

the Ohio School Plan and have a \$1,000 deductible for buses and a \$500 for all other vehicles. All board members, administrators and employees are covered under a school district liability policy with Ohio School Plan. The limits of coverage are \$4,000,000 per occurrence and \$6,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Treasurer has a \$100,000 surety bond with the Cincinnati Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. The rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

**NOTE 12 - GROUP PURCHASING POOL**

Medical/Surgical and dental insurance was offered to employees through private carriers from July 1, 2010 through September 30, 2010. On October 1, 2010, the District joined the Wyandot-Crawford Health Benefit Plan (WCHBP), a public entity risk pool currently operating as a common risk management and insurance program. The WCHBP now includes seven school districts. The District pays monthly premiums to the pool for its insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$125,000 for each insured event.

The District's portion of the reserve balance at the time of membership was \$637,843. Twenty-five percent (\$159,461) was paid up-front and \$13,288 is being contributed monthly for 36 months.

Each District decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums. Financial information can be obtained from Medical Mutual, P.O. Box 943, Toledo, OH 43656.

**NOTE 13 - CONTINGENT LIABILITIES**

The District is involved in no material litigation as either plaintiff or defendant.

The District received financial assistance from federal and state agencies in the form of grants. Subject to audit by grantor agencies, the expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

**NOTE 14 - COMPLIANCE**

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 15 – RELATED PARTY TRANSACTION**

The District conducts business with Blaine Carmichael Sports, which the Athletic Director, Sean Carmichael is 50% owner. A legal opinion received by the District on this matter determined the Athletic Director has no influence in the purchase process of athletic equipment from Blaine Carmichael Sports, thus the District could continue to do business with them. The District paid \$80,027 to Blaine Carmichael Sports during fiscal year 2012.

**NOTE 16 – FUND RECLASSIFICATION**

In previous years, the various scholarship funds were reported as agency funds. Beginning this fiscal year, the funds were reclassified as special revenue funds. The move provides consistency with other scholarship funds. The statements reflect the adjustment of \$7,044 to the beginning fund balances. Additionally, the Public School Support fund cash balance of \$36,037 at June 30, 2011, has been reclassified from special revenue to general fund in accordance with GASB 54.

**NOTE 17 – FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on the fund cash balance for the major governmental fund types are presented as follows:

	General Fund	Special Revenue Funds	Capital Project Funds	Total
Restricted for:				
Capital Projects			\$ 2,659,618	\$ 2,659,618
Student Activities		\$ 81,353		81,353
Other Purposes	\$ 699	58,373		59,072
Total Restricted	699	139,726	2,659,618	2,800,043
Assigned for:				
Encumbrances	12,836			12,836
Other Purposes	110,060			110,060
Total Assigned	122,896			122,896
Unassigned	440,360			440,360
Total Fund Balance	\$ 563,955	\$ 139,726	\$ 2,659,618	\$ 3,363,299

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 18 – 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:

Fund	Year End Encumbrances
General	\$ 12,420
Special Revenue	27,199
Capital Projects	14,111
Agency	<u>125</u>
Total	<u>\$ 53,855</u>

**NOTE 19 – SUBSEQUENT EVENT – INCOME TAX LEVY**

Voters approved an earned income tax in March 2012. The .75% tax will be implemented January 1, 2013.

TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>EXPENDITURES</u>	<u>NON-CASH EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Title I Grants to Local Educational Agencies	84.010	\$606,293		\$575,100	
Special Education - Grants to States (IDEA, Part B)	84.027	418,649		399,726	
Education Technology State Grants	84.318	2,318		2,318	
Improving Teacher Quality State Grants	84.367	87,658		87,658	
ARRA - Race to the Top	84.395	1,400		1,400	
Education Jobs Fund	84.410	10,769		10,769	
		<hr/>		<hr/>	
Total U.S. Department of Education		<u>\$1,127,087</u>		<u>\$1,076,971</u>	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$74,646		\$74,646
Cash Assistance:					
National School Lunch Program	10.555	285,070		285,070	
School Breakfast Program	10.553	70,360		70,360	
		<hr/>		<hr/>	
Total Child Nutrition Cluster		<u>355,430</u>	<u>74,646</u>	<u>355,430</u>	<u>74,646</u>
Total U.S. Department of Agriculture		<u>355,430</u>	<u>74,646</u>	<u>355,430</u>	<u>74,646</u>
Total		<u><u>\$1,482,517</u></u>	<u><u>\$74,646</u></u>	<u><u>\$1,432,401</u></u>	<u><u>\$74,646</u></u>

The accompanying notes are an integral part of this schedule.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Triway Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

We have audited the financial statements of Triway Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated February 28, 2013, wherein we noted the District followed accounting practices the Auditor of State prescribes for entities not required to follow accounting principles generally accepted in the United States of America and we issued an adverse opinion due to this departure from generally accepted accounting principles. 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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.

### Compliance and Other Matters

As part of reasonably assuring whether the 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2013.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

February 28, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

To the Board of Education:

### Compliance

We have audited the compliance of Triway Local School District, Wayne County, Ohio, (the 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 each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 District's compliance with these 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 District's compliance with these requirements.

In our opinion, the Triway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The 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 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 District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-002 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 28, 2013.

The District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 28, 2013



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Grants to Local Educational Agencies – CFDA #84.010 Special Education - Grants to States (IDEA, Part B) – CFDA #84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2012-001**

**NONCOMPLIANCE**

**OHIO ADMINISTRATIVE CODE 117-2-03 (B) and OHIO REVISED CODE 117.38**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Further, Ohio Revised Code Section 117.38 requires the District publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The District did not prepare its annual financial report in accordance GAAP. The District prepared its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Additionally, the District did not publish notice its annual financial report was complete and available for public inspection.

We recommend the School District prepare its financial statements in accordance with generally accepted accounting principles and publish notice in the local newspaper stating the District's financial report is available for public inspection.

**Official's Response:**

The Triway Local School District Board of Education takes pride in presenting data that is cost-effective to produce and easily understood by the reader. Cash-basis financial statements are similar to other management reports produced throughout the fiscal year, such as the five year forecast, and can be compared without major adjustments.

**3. FINDING FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012-002
<b>CFDA Title and Number</b>	Title I, Grants to Local Educational Agencies – CFDA #84.010
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**MATERIAL WEAKNESS**

**TITLE I CONTROL FAILURE**

The District does not have adequate controls over the approval process of Title I nonpayroll related expenditures, which represented approximately 35% of the program’s cash basis expenditures for fiscal 2012. The District’s Title I coordinator should be reviewing and approving all Title I expenditures to ensure they are allowable per the grant. Testing revealed 4 out of 7 (57%) of the Title I nonpayroll expenditures tested were not approved by the Title I Coordinator.

The District should have the Title I Coordinator or other knowledgeable individual review and approve all Title I expenditures to ensure they are allowable per the grant. This individual should initial or mark an invoice "ok to pay" to show the invoice was reviewed and verified and the expenditure is allowable per the grant.

**Official’s Response / Corrective Action Plan:**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	The Title I Coordinator, Superintendent or other responsible/knowledgeable individual will document approval (i.e. mark invoice as “OK to pay”) of all Title I expenditures.	April 1, 2013	David Rice, Superintendent

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Administrative Code 117-2-03(B) – The District did not prepare financial statements in accordance with GAAP.	No	Not Corrected – See Finding 2012-001
2011-002	State Fiscal Stabilization Fund Expenditures did not have adequate expenditure controls.	Yes	Finding No Longer Valid – funding ended in FY2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Triway Local School District  
Wayne County  
3205 Shreve Road  
Wooster, Ohio 44691

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 Triway 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 May 21, 2012 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 28, 2013

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

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# Dave Yost • Auditor of State

TRIWAY LOCAL SCHOOL DISTRICT

WAYNE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 28, 2013