

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Triway Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Triway Local School District, Wayne County, Ohio, as of June 30, 2019, and the respective changes in cash financial position and the respective budgetary comparison for the General and District Managed Student Activity funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

January 6, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The management's discussion and analysis of the Triway Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2019. The District has prepared their financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- The total cash-basis net position of the District was \$434,327.
- General receipts accounted for \$19,476,575 or 84.23% of total governmental activities receipts. Program specific receipts accounted for \$3,647,006 or 15.77% of total governmental activities receipts.
- The District had \$23,465,311 in disbursements related to governmental activities; \$3,647,006 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$19,476,575 were inadequate to provide for these programs.
- The District's major funds are the general fund, the District managed student activity fund, and the permanent improvement fund. The general fund had total cash receipts and other financing sources of \$20,414,511 in fiscal year 2019, and cash disbursements totaled \$20,777,418. At June 30, 2019, the general fund's cash balance was \$292,121.
- The District managed student activity fund had cash receipts of \$265,823. Cash disbursements in the District managed student activity fund totaled \$247,419. At the end of fiscal year 2019, the District managed student activity fund had a cash balance of \$106,813.
- The permanent improvement fund had cash receipts of \$736,517. Cash disbursements and other financing uses in the permanent improvement fund totaled \$720,064. At the end of fiscal year 2019, the permanent improvement fund had a cash balance of \$48,324.

**Using these Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as is applicable to the District's cash basis of accounting.

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the District as a whole, presenting an aggregate view of the District's cash-basis 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. The general fund, the District managed student activity fund, and the permanent improvement fund are the District's most significant funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis***

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did the District perform financially during 2019?” These statements only present the District’s net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This financial reporting framework takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net position and changes in net position on a cash basis. The change in net position is important because it tells the reader that, for the District as a whole, the cash basis 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.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District’s statement of net position – cash basis and statement of activities – cash basis can be found on pages 14-15 of this report.

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

***Fund Financial Statements***

An analysis of the District’s major governmental funds begins on page 10. Fund financial statements provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the general fund, the District managed student activity fund, and the permanent improvement fund.

***Governmental Funds***

Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds, whose activity or balances are not large enough to warrant separate reporting, is aggregated and presented in a single column.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District’s only fiduciary fund is the agency fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***Notes to the 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 21-50 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2019 and 2018.

	<b>Net Position (Cash Basis)</b>	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Assets:</u>		
Equity in pooled cash and investments	\$ 434,327	\$ 776,057
Total assets	<u>\$ 434,327</u>	<u>\$ 776,057</u>
<u>Net Cash Position:</u>		
Restricted	\$ 181,846	\$ 121,029
Unrestricted	<u>252,481</u>	<u>655,028</u>
Total net cash position	<u>\$ 434,327</u>	<u>\$ 776,057</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2019, total net cash position of the District was \$434,327. A portion of the District's net position, \$181,846, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$252,481 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for the District for fiscal year 2019 and 2018.

	<b>Change in Net Position</b>	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Receipts:</u>		
Program revenues:		
Charges for services and sales	\$ 1,596,628	\$ 1,518,556
Operating grants and contributions	2,041,378	1,963,582
Capital grants and contributions	9,000	9,000
General revenues:		
Property taxes	8,876,826	7,543,850
Income taxes	1,979,013	2,002,366
Grants and entitlements	7,614,215	7,601,187
Issuance of tax anticipation notes	1,000,000	-
Investment earnings	<u>6,521</u>	<u>3,074</u>
Total receipts	<u>23,123,581</u>	<u>20,641,615</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Change in Net Position (Continued)**

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b><u>Disbursements:</u></b>		
Program disbursements:		
Instruction:		
Regular	9,957,222	9,508,381
Special	3,191,580	3,078,148
Vocational	447,607	447,195
Other	577,311	639,638
Support services:		
Pupil	794,282	639,790
Instructional staff	1,049,397	1,068,755
Board of education	55,675	43,558
Administration	1,288,595	1,270,192
Fiscal	504,891	462,640
Operations and maintenance	1,675,605	1,586,979
Pupil transportation	1,066,069	1,083,231
Central	92,000	-
Operation of non-instructional services:		
Other non-instructional services	123,705	46,343
Food service operations	597,478	635,760
Extracurricular activities	642,610	691,191
Facilities acquisition and construction	64,375	96,794
Debt service:		
Principal retirement	1,295,000	351,104
Interest and fiscal charges	41,909	35,687
Total disbursements	<u>23,465,311</u>	<u>21,685,386</u>
Change in net position	(341,730)	(1,043,771)
Net position at beginning of year	<u>776,057</u>	<u>1,819,828</u>
Net position at end of year	<u>\$ 434,327</u>	<u>\$ 776,057</u>

**Governmental Activities**

Governmental net cash position was \$434,327 at June 30, 2019. Total governmental disbursements of \$23,465,311 were offset by program receipts of \$3,647,006 and general receipts of \$19,476,575. Program receipts supported 15.54% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 79.88% of total governmental receipts. Real estate property is reappraised every six years.

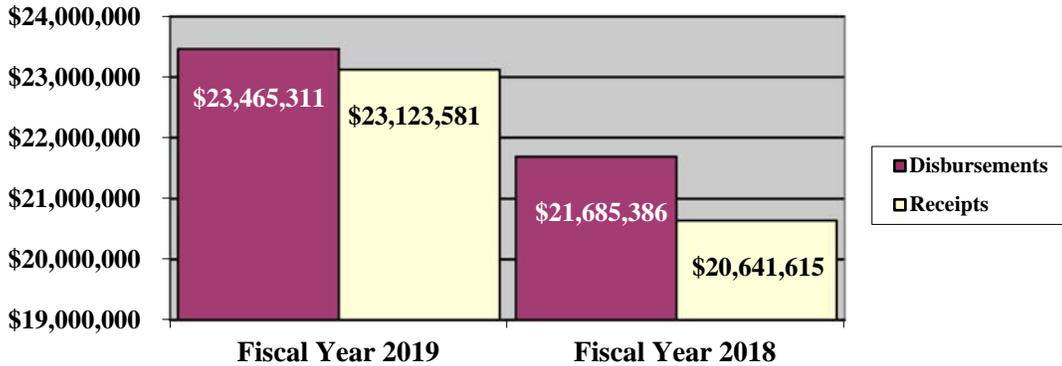
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$14,173,720 or 60.40% of total governmental disbursements for fiscal year 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2019 and 2018.

**Governmental Activities - Total Receipts vs. Total Disbursements**



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
<b>Disbursements:</b>				
Instruction:				
Regular	\$ 9,957,222	\$ 8,824,170	\$ 9,508,381	\$ 8,565,592
Special	3,191,580	1,710,038	3,078,148	1,598,222
Vocational	447,607	382,882	447,195	382,470
Other	577,311	577,311	639,638	639,638
Support services:				
Pupil	794,282	734,790	639,790	550,926
Instructional staff	1,049,397	1,049,297	1,068,755	1,068,755
Board of education	55,675	55,675	43,558	43,558
Administration	1,288,595	1,288,595	1,270,192	1,270,192
Fiscal	504,891	504,891	462,640	462,640
Operations and maintenance	1,675,605	1,675,165	1,586,979	1,586,769
Pupil transportation	1,066,069	1,041,326	1,083,231	1,083,231
Central	92,000	92,000	-	-
Operation of non-instructional services:				
Other non instructional services	123,705	63,705	46,343	26,341
Food service operations	597,478	40,389	635,760	1,449
Extracurricular activities	642,610	376,787	691,191	430,880
Facilities acquisition and construction	64,375	64,375	96,794	96,794
Debt service:				
Principal retirement	1,295,000	1,295,000	351,104	351,104
Interest and fiscal charges	41,909	41,909	35,687	35,687
<b>Total</b>	<u>\$ 23,465,311</u>	<u>\$ 19,818,305</u>	<u>\$ 21,685,386</u>	<u>\$ 18,194,248</u>

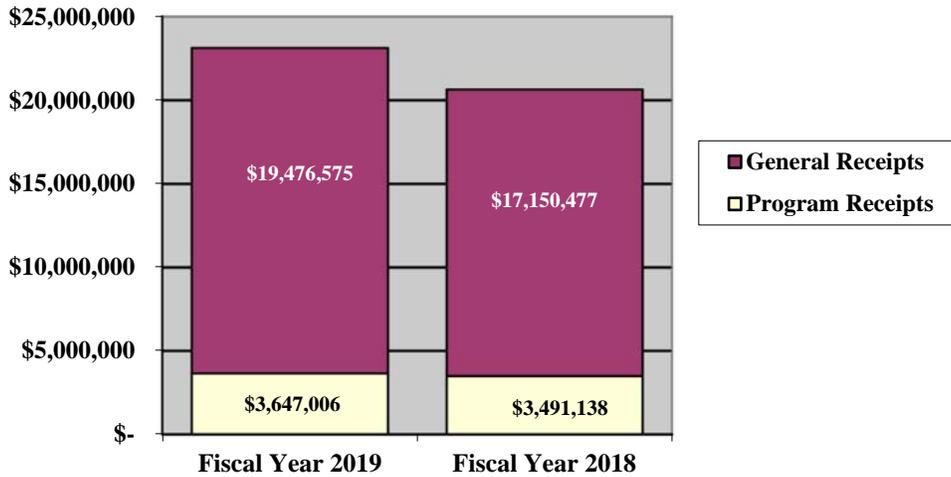
**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The dependence upon general receipts for instructional activities is apparent, as 81.10% of disbursements were supported through taxes and other general receipts during 2019. For all governmental activities, general receipts support is 84.46%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support of the District's students.

The graph below presents the District's governmental activities receipts for fiscal year 2019 and 2018.

**Governmental Activities - General and Program Receipts**



**The District's Funds**

At June 30, 2019, the District's governmental funds reported a combined cash fund balance of \$434,327, which is \$341,730 lower than last year's total of \$776,057. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018, for all major and nonmajor governmental funds.

	Fund Balance (Deficit) June 30, 2019	Fund Balance June 30, 2018	Change
<b>Major Funds:</b>			
General	\$ 292,121	\$ 655,028	\$ (362,907)
District managed student activity	106,813	88,409	18,404
Permanent improvement	48,324	31,871	16,453
Other governmental funds	(12,931)	749	(13,680)
<b>Total</b>	<u>\$ 434,327</u>	<u>\$ 776,057</u>	<u>\$ (341,730)</u>

**General Fund**

The general fund, the District's largest major fund, had total receipts and other financing sources of \$20,414,511 in 2019. The disbursements of the general fund totaled \$20,777,418 in 2019. The general fund's balance was \$292,121 at fiscal year-end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table that follows assists in illustrating the receipts of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>
<b><u>Receipts:</u></b>		
Taxes	\$ 10,191,507	\$ 8,968,364
Tuition	877,468	831,945
Earnings on investments	6,521	3,074
Miscellaneous	245,087	181,679
Intergovernmental	<u>8,093,928</u>	<u>8,014,917</u>
Total	<u>\$ 19,414,511</u>	<u>\$ 17,999,979</u>

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>
<b><u>Disbursements:</u></b>		
Instruction	\$ 12,963,470	\$ 12,618,898
Support services	6,329,948	5,882,625
Extracurricular	403,091	441,529
Other	<u>1,080,909</u>	<u>110,033</u>
Total	<u>\$ 20,777,418</u>	<u>\$ 19,053,085</u>

Taxes increased by \$1,223,143 during fiscal year 2019. This increase was a result of an increase in property tax collections during the year related to the new Rover Pipeline project. Intergovernmental increased by \$79,011 due to an increase in governmental grant funding. All other revenue sources were comparable to fiscal year 2018.

During fiscal year 2019 instruction disbursements increased by \$344,572 attributable to a large increase in regular and special disbursements. Support services increased \$447,323 largely due to an increase in pupil and central disbursements.

***District Managed Student Activity Fund***

The District managed student activity fund had \$265,823 in cash receipts and \$247,419 in cash disbursements. During fiscal year 2019, the District managed student activity fund's cash balance increased \$18,404 from \$88,409 to \$106,813.

***Permanent Improvement Fund***

The permanent improvement fund had \$736,517 in cash receipts and \$720,064 in cash disbursements and other financing uses. During fiscal year 2019, the permanent improvement fund's cash balance increased \$16,453 from \$31,871 to \$48,324.

***Budgeting Highlights - General Fund***

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

During the course of fiscal year 2019, the District did make amendments to its general fund budget. For the general fund, the original and final budgeted receipts and other financing sources were \$19,209,455 and \$20,324,863, respectively. Actual receipts and other financing sources for fiscal 2019 were \$20,388,909 which was \$64,046 greater than the final budgeted receipts.

General fund original budgeted disbursements of \$19,511,025 were increased to \$20,922,644 in the final budgeted disbursements. The actual budget basis disbursement for fiscal year 2019 totaled \$20,746,586, which was \$176,058 less than the final budgeted disbursements.

**Capital Assets and Debt Administration**

*Capital Assets*

The District does not capitalize assets on its financial statements or record the amortization of depreciation expense; rather, the District records disbursements when capital assets are purchased.

*Debt Administration*

At June 30, 2019, the District had \$962,600 in long-term obligations outstanding; of this amount, \$371,262 is due within one year. A summary of the District's long-term obligations outstanding at June 30, 2019 and 2018:

	Governmental Activities 2019	Governmental Activities 2018
Tax anticipation note	\$ 615,000	\$ 910,000
Bus Lease	<u>347,600</u>	<u>-</u>
Total long-term obligations	<u>\$ 962,600</u>	<u>\$ 910,000</u>

For further information regarding the District's long-term obligations, refer to Note 8 to the basic financial statements.

**Current Financial Related Activities**

The 0.75% earned income tax contributes greatly to the District's cash resources. The income tax began in January 2013 and full collection was realized in fiscal year 2016. The tax generates \$2 million annually. The four-year income tax levy and the three-year \$1.2 million emergency levy will be placed on the ballot for renewal in March 2020.

Triway is one of a few school districts that suffered a loss of State support due to the State's fiscal year 2018-2019 biennial budget cuts. Basic aid was reduced in both fiscal year 2018 and fiscal year 2019 by at least \$14,000. Due to reduced enrollment and the subsequent increase in per pupil valuation, state share of funded programs diminished as well. The upcoming biennial budget for fiscal year 2020 and fiscal year 2021 appropriates an additional \$600,000 of state foundation money to the District, which will help recoup some of the state assistance lost during the previous budget cycle.

The District was forced to borrow using Current Tax Revenue Notes (CTRN) during fiscal year 2019. The cyclic nature of real estate and income tax collections creates a period of time, from November to late January, that, unless there are adequate reserves, cash cannot be stretched to meet financial obligations. CTRNs allowed the District to borrow and pay-off against future collections all within the confines of the fiscal calendar.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The Superintendent and Treasurer are carefully monitoring the progress of the new Rover pipeline project that was constructed throughout the District. The pipeline will be assessed a cost value by the Ohio Department of Taxation, which will be added to the District's property tax duplicate. The assessment cannot be applied until the pipeline is functional. According to the county auditor, one of Rover's two pipelines was in operation as of December 31, 2017. Data was released by the Ohio Department of Taxation to the county auditor in October 2018. Tax revenues based upon a partial project assessment began in January 2019. The entire pipeline was fully functional by December 31, 2018, which results in full tax collections beginning January 2020. The portion of the pipeline in use by December 31, 2017 generated approximately \$1.3 million during fiscal year 2019.

To ensure the five-year forecast remains strong, management will continue to budget within the confines of the revenue stream. The balance of revenues and expenses is perilous. State cuts to foundation funding, increased costs of salaries/benefits, and the continued elimination of promised reimbursements will quickly deplete cash reserves.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 434,327
Total assets. . . . .	434,327
 <b>Net cash position:</b>	
Restricted for:	
Capital projects . . . . .	48,324
Federally funded programs . . . . .	26,709
Extracurricular activities . . . . .	106,813
Unrestricted . . . . .	252,481
Total net cash position. . . . .	\$ 434,327

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Cash Disbursements	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,957,222	\$ 1,036,351	\$ 87,701	\$ 9,000	\$ (8,824,170)
Special . . . . .	3,191,580	33,535	1,448,007	-	(1,710,038)
Vocational . . . . .	447,607	-	64,725	-	(382,882)
Other . . . . .	577,311	-	-	-	(577,311)
Support services:					
Pupil . . . . .	794,282	-	59,492	-	(734,790)
Instructional staff . . . . .	1,049,397	-	100	-	(1,049,297)
Board of education . . . . .	55,675	-	-	-	(55,675)
Administration . . . . .	1,288,595	-	-	-	(1,288,595)
Fiscal . . . . .	504,891	-	-	-	(504,891)
Operations and maintenance . . . . .	1,675,605	440	-	-	(1,675,165)
Pupil transportation . . . . .	1,066,069	-	24,743	-	(1,041,326)
Central . . . . .	92,000	-	-	-	(92,000)
Operation of non-instructional services:					
Other non-instructional services . . . . .	123,705	-	60,000	-	(63,705)
Food service operations . . . . .	597,478	270,950	286,139	-	(40,389)
Extracurricular activities . . . . .	642,610	255,352	10,471	-	(376,787)
Facilities acquisition and construction . . . . .					
	64,375	-	-	-	(64,375)
Debt service:					
Principal retirement . . . . .	1,295,000	-	-	-	(1,295,000)
Interest and fiscal charges . . . . .	41,909	-	-	-	(41,909)
<b>Total governmental activities . . . . .</b>	<b>\$ 23,465,311</b>	<b>\$ 1,596,628</b>	<b>\$ 2,041,378</b>	<b>\$ 9,000</b>	<b>(19,818,305)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes . . . . .	8,212,494
Capital outlay . . . . .	664,332
Income taxes levied for:	
General purposes . . . . .	1,979,013
Grants and entitlements not restricted to specific programs . . . . .	
	7,614,215
Issuance of tax anticipation notes . . . . .	1,000,000
Investment earnings . . . . .	6,521
<b>Total general receipts . . . . .</b>	<b>19,476,575</b>
Change in net cash position . . . . .	(341,730)
<b>Net cash position at beginning of year . . . . .</b>	<b>776,057</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 434,327</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>District Managed Student Activity</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 292,121	\$ 106,813	\$ 48,324	\$ (12,931)	\$ 434,327
Total assets . . . . .	<u>\$ 292,121</u>	<u>\$ 106,813</u>	<u>\$ 48,324</u>	<u>\$ (12,931)</u>	<u>\$ 434,327</u>
<b>Fund cash balances:</b>					
Nonspendable:					
Unclaimed monies . . . . .	\$ 2,250	\$ -	\$ -	\$ -	\$ 2,250
Restricted:					
Capital improvements . . . . .	-	-	48,324	-	48,324
Special education . . . . .	-	-	-	9,133	9,133
Targeted academic assistance . . . . .	-	-	-	17,576	17,576
Extracurricular activities. . . . .	-	106,813	-	-	106,813
Assigned:					
Student and staff support. . . . .	37,882	-	-	-	37,882
Unassigned (deficit). . . . .	251,989	-	-	(39,640)	212,349
Total fund cash balances (deficit). . . . .	<u>\$ 292,121</u>	<u>\$ 106,813</u>	<u>\$ 48,324</u>	<u>\$ (12,931)</u>	<u>\$ 434,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND CASH BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>District Managed Student Activity</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 8,212,494	\$ -	\$ 664,332	\$ -	\$ 8,876,826
Income taxes . . . . .	1,979,013	-	-	-	1,979,013
Tuition . . . . .	877,468	-	-	-	877,468
Earnings on investments . . . . .	6,521	-	-	-	6,521
Charges for services . . . . .	-	-	-	270,950	270,950
Extracurricular . . . . .	-	255,352	-	-	255,352
Classroom materials and fees . . . . .	85,977	-	-	-	85,977
Rental income . . . . .	440	-	-	-	440
Contributions and donations . . . . .	-	10,471	-	2,450	12,921
Other local revenues . . . . .	158,670	-	-	-	158,670
Intergovernmental - intermediate . . . . .	107,453	-	-	-	107,453
Intergovernmental - state . . . . .	7,986,475	-	72,185	219,086	8,277,746
Intergovernmental - federal . . . . .	-	-	-	1,214,244	1,214,244
Total cash receipts. . . . .	<u>19,414,511</u>	<u>265,823</u>	<u>736,517</u>	<u>1,706,730</u>	<u>22,123,581</u>
<b>Cash disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	9,707,227	7,900	197,623	44,472	9,957,222
Special . . . . .	2,231,325	-	-	960,255	3,191,580
Vocational . . . . .	447,607	-	-	-	447,607
Other . . . . .	577,311	-	-	-	577,311
Support services:					
Pupil . . . . .	736,177	-	-	58,105	794,282
Instructional staff . . . . .	954,538	-	94,759	100	1,049,397
Board of education . . . . .	55,675	-	-	-	55,675
Administration . . . . .	1,288,595	-	-	-	1,288,595
Fiscal . . . . .	493,786	-	11,105	-	504,891
Operations and maintenance . . . . .	1,643,108	-	32,497	-	1,675,605
Pupil transportation . . . . .	1,066,069	-	-	-	1,066,069
Central . . . . .	92,000	-	-	-	92,000
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	63,705	-	-	60,000	123,705
Food service operations . . . . .	-	-	-	597,478	597,478
Extracurricular activities . . . . .	403,091	239,519	-	-	642,610
Facilities acquisition and construction . . . . .	-	-	64,375	-	64,375
Debt service:					
Principal retirement . . . . .	1,000,000	-	-	295,000	1,295,000
Interest and fiscal charges . . . . .	17,204	-	-	24,705	41,909
Total cash disbursements. . . . .	<u>20,777,418</u>	<u>247,419</u>	<u>400,359</u>	<u>2,040,115</u>	<u>23,465,311</u>
Excess (deficiency) of cash receipts over (under) cash disbursements. . . . .	<u>(1,362,907)</u>	<u>18,404</u>	<u>336,158</u>	<u>(333,385)</u>	<u>(1,341,730)</u>
<b>Other financing sources (uses):</b>					
Issuance of tax anticipation notes . . . . .	1,000,000	-	-	-	1,000,000
Transfers in . . . . .	-	-	-	319,705	319,705
Transfers (out) . . . . .	-	-	(319,705)	-	(319,705)
Total other financing sources (uses) . . . . .	<u>1,000,000</u>	<u>-</u>	<u>(319,705)</u>	<u>319,705</u>	<u>1,000,000</u>
Net change in fund cash balances. . . . .	(362,907)	18,404	16,453	(13,680)	(341,730)
<b>Fund cash balances at beginning of year. . .</b>	<u>655,028</u>	<u>88,409</u>	<u>31,871</u>	<u>749</u>	<u>776,057</u>
<b>Fund cash balances (deficit) at end of year. .</b>	<u>\$ 292,121</u>	<u>\$ 106,813</u>	<u>\$ 48,324</u>	<u>\$ (12,931)</u>	<u>\$ 434,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,163,450	\$ 8,212,494	\$ 8,212,494	\$ -
Income taxes. . . . .	1,967,194	1,979,013	1,979,013	-
Tuition. . . . .	853,121	858,246	877,468	19,222
Earnings on investments . . . . .	4,977	5,007	6,521	1,514
Classroom materials and fees . . . . .	83,995	84,500	85,977	1,477
Rental income . . . . .	994	1,000	440	(560)
Other local revenues . . . . .	94,538	95,106	106,441	11,335
Intergovernmental - intermediate . . . . .	106,811	107,453	107,453	-
Intergovernmental - state . . . . .	7,907,907	7,955,417	7,986,475	31,058
Total budgetary basis receipts . . . . .	<u>19,182,987</u>	<u>19,298,236</u>	<u>19,362,282</u>	<u>64,046</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	9,675,646	10,085,474	9,675,740	409,734
Special. . . . .	2,142,928	2,115,455	2,231,325	(115,870)
Vocational. . . . .	458,974	447,430	447,607	(177)
Other. . . . .	655,854	561,393	577,311	(15,918)
Support services:				
Pupil. . . . .	565,018	738,475	736,177	2,298
Instructional staff . . . . .	1,000,721	948,639	954,538	(5,899)
Board of education . . . . .	43,830	56,297	55,675	622
Administration. . . . .	1,305,859	1,280,213	1,288,595	(8,382)
Fiscal . . . . .	455,492	493,247	494,441	(1,194)
Operations and maintenance. . . . .	1,603,513	1,665,621	1,643,108	22,513
Pupil transportation . . . . .	1,108,684	988,138	1,066,069	(77,931)
Central. . . . .	-	92,000	92,000	-
Other operation of non-instructional services.	22,866	30,653	63,705	(33,052)
Extracurricular activities. . . . .	451,411	401,908	403,091	(1,183)
Facilities acquisition and construction . . . . .	20,229	-	-	-
Debt service:				
Principal . . . . .	-	1,000,000	1,000,000	-
Interest and fiscal charges. . . . .	-	17,701	17,204	497
Total budgetary basis disbursements . . . . .	<u>19,511,025</u>	<u>20,922,644</u>	<u>20,746,586</u>	<u>176,058</u>
Excess of budgetary basis disbursements over budgetary basis receipts . . . . .	<u>(328,038)</u>	<u>(1,624,408)</u>	<u>(1,384,304)</u>	<u>240,104</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	26,468	26,627	26,627	-
Issuance of tax anticipation notes . . . . .	-	1,000,000	1,000,000	-
Total other financing sources . . . . .	<u>26,468</u>	<u>1,026,627</u>	<u>1,026,627</u>	<u>-</u>
Net change in fund cash balance . . . . .	(301,570)	(597,781)	(357,677)	240,104
<b>Fund cash balance at beginning of year . . .</b>	<b>605,631</b>	<b>605,631</b>	<b>605,631</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . .</b>	<b>4,035</b>	<b>4,035</b>	<b>4,035</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<u><u>\$ 308,096</u></u>	<u><u>\$ 11,885</u></u>	<u><u>\$ 251,989</u></u>	<u><u>\$ 240,104</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS - DISTRICT MANAGED STUDENT ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Extracurricular . . . . .	\$ 319,500	\$ 319,500	\$ 255,352	\$ (64,148)
Contributions and donations . . . . .	10,500	10,500	10,471	(29)
Total revenue . . . . .	<u>330,000</u>	<u>330,000</u>	<u>265,823</u>	<u>(64,177)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,130	8,130	7,900	230
Extracurricular activities . . . . .	<u>321,870</u>	<u>321,870</u>	<u>245,805</u>	<u>76,065</u>
Total expenditures . . . . .	<u>330,000</u>	<u>330,000</u>	<u>253,705</u>	<u>76,295</u>
Net change in fund balance . . . . .	-	-	12,118	12,118
<b>Fund balance at beginning of year . . . . .</b>	87,683	87,683	87,683	-
<b>Prior year encumbrances appropriated . . . . .</b>	726	726	726	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 88,409</u>	<u>\$ 88,409</u>	<u>\$ 100,527</u>	<u>\$ 12,118</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 40,336</u>
<b>Net cash position:</b>	
Held for student activities . . . . .	<u>\$ 40,336</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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 77 non-certified and 136 certified full-time and part-time employees to provide services to approximately 1,540 students in grades K through 12, 33 students in preschool, and various community groups.

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

As discussed in Note 2.D, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Computer Services Association

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. TCCSA is governed by a seven-member Executive Committee chosen from the general membership of the TCCSA assembly.

Financial information can be obtained by contacting the Executive Director at TCCSA located at 2125 Eagle Pass, Wooster, OH 44691. During the year ended June 30, 2019, the District paid approximately \$176,437 to TCCSA.

*GROUP PURCHASING POOLS*

Jefferson Health Plan

On September 1, 2014, the District joined with several other school districts in an insurance purchasing pool to operate the Jefferson Health Plan. The Jefferson Health Plan is governed by a Board of Directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Risk are carried by the Jefferson Health Plan and coinsurance through commercial companies are required for claims in excess of \$75,000.

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, Ohio 43656.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The following are the District's major governmental funds:

*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.

*District managed student activity fund* - A fund provided to account for those student activity programs which have student participation in the activity but do not have student management of the programs. This fund would usually include athletic programs but could also include the band, cheerleaders, flag corps, and other similar type activities.

*Permanent Improvement fund* - A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

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

**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 cash assets and changes in net position. 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 did not have any trust funds in fiscal year 2019. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student-managed activities.

**C. Basis of Presentation**

*Government-Wide Financial Statements* - The statement of net position - cash basis and the statement of activities - cash basis 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 - cash basis presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts not classified as program receipts are presented as general receipts of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

**D. Basis of Accounting**

Although required by Ohio Administrative Code §117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The differences between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

**E. Budgetary Process**

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 established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Estimated Resources

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 receipt of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipt are identified by the District Treasurer.

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 a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. 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, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation 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 fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

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 re-appropriated.

**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.

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$6,521, which included \$2,323 assigned from other 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 and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**J. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other debt obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**K. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grants are received.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 13 and 14, the employer contributions include portions for pension benefits and for post-employment health care benefits.

**M. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

**N. 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.

*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. The District reported no committed fund balance at June 30, 2019.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**O. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

**Q. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2019, the District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**C. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service fund	\$ 39,640

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

**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.

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 fair 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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty 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.

**A. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$474,400 and the bank balance of all District deposits was \$594,417. Of the bank balance, \$264,797 was covered by the FDIC and \$329,620 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2019, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

**B. Investments**

As of June 30, 2019, 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	\$ <u>263</u>	\$ <u>263</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019 is 1 day.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 263	100.00

**C. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis**

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 position as of June 30, 2019:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 474,400	
Investments	263	
Total	<u>\$ 474,663</u>	
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$ 434,327	
Agency fund	40,336	
Total	<u>\$ 474,663</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
Permanent improvement fund	\$ 319,705

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$319,705 from the permanent improvement fund to the debt service fund (a nonmajor governmental fund) was used for debt service payment on the tax anticipation notes.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 6 - INCOME TAXES**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The .75 percent portion of the tax was effective on January 1, 2013. This tax expires December 31, 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue received in the general fund during fiscal year 2019 was \$1,979,013.

**NOTE 7 - 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 property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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.

The District receives property taxes from Wayne and Holmes County. 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, 2019, are available to finance fiscal year 2019 operations. 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.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 264,963,150	92.08	\$ 267,979,360	83.49
Public utility personal	<u>22,779,290</u>	<u>7.92</u>	<u>52,993,310</u>	<u>16.51</u>
Total	<u>\$ 287,742,440</u>	<u>100.00</u>	<u>\$ 320,972,670</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 48.60		\$ 48.40	

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - LONG-TERM OBLIGATIONS**

The table that follows summarizes the changes in the District's long-term obligations during fiscal year 2019.

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
<b>Governmental Activities:</b>					
Bus Lease Purchase	\$ -	\$ 347,600	\$ -	\$ 347,600	\$ 66,262
2011 Tax anticipation note	910,000	-	(295,000)	615,000	305,000
Total governmental activities	<u>\$ 910,000</u>	<u>\$ 347,600</u>	<u>\$ (295,000)</u>	<u>\$ 962,600</u>	<u>\$ 371,262</u>

2011 Tax Anticipation Notes - During fiscal year 2011, the District issued long-term tax anticipation notes, subsequent to the passage of a 3.0 mil 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 (a nonmajor governmental fund).

Bus Lease Purchase - See Note 9 for details.

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

Fiscal Year	Tax Anticipation Notes		
	Principal	Interest	Total
2020	\$ 305,000	\$ 14,985	\$ 319,985
2021	310,000	5,022	315,022
Total	<u>\$ 615,000</u>	<u>\$ 20,007</u>	<u>\$ 635,007</u>

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, 2019, are a voted debt margin of \$28,887,540 and an unvoted debt margin of \$320,973.

**NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

In the current fiscal year, the District entered into a lease purchase agreement for the acquisition of buses. These leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments will be reclassified and will be reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. There were no principal or interest payments in the 2019 fiscal year related to the bus lease purchase.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE – (Continued)**

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2019:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 74,661
2021	74,661
2022	74,661
2023	74,661
2024	<u>74,661</u>
Total minimum lease payment	373,305
Less: amount representing interest	<u>(25,705)</u>
Present value of minimum lease payments	<u>\$ 347,600</u>

**NOTE 10 – NOTES PAYABLE**

On November 8, 2018 the District issued \$1,000,000 in current tax revenue notes in anticipation of tax revenues, for the purpose of paying current expenses of the District in fiscal year 2019. These notes matured on May 1, 2019 at an interest rate of 3.58% per annum. As of June 30, 2019, the District has no obligation outstanding related to these notes.

**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. Additionally, cyber extortion and computer crimes are insured for \$1,000,000. All vehicles are insured with 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.

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and State 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 general fund or other applicable funds; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2019, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The foundation guarantee creates a safe harbor to protect schools with declining enrollment. The amount of transitional aid guarantee paid through the foundation program to the District in the 2019 fiscal year was \$993,891. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either additional receipts or disbursements to the District.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% 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 by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$318,427 for fiscal year 2019.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age.

Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,211,881 for fiscal year 2019.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06837540%	0.07406575%	
Proportion of the net pension liability current measurement date	<u>0.06433190%</u>	<u>0.07473983%</u>	
Change in proportionate share	<u>-0.00404350%</u>	<u>0.00067408%</u>	
Proportionate share of the net pension liability	\$ 3,684,407	\$ 16,433,611	\$ 20,118,018

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major asset's class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,189,765	\$ 3,684,407	\$ 2,422,265

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 23,999,125	\$ 16,433,611	\$ 10,030,429

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

*Plan Description - School Employees Retirement System (SERS)*

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$33,286.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$45,073 for fiscal year 2019.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.06852020%	0.07406575%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.06486870%</u>	<u>0.07473983%</u>	
Change in proportionate share	<u>-0.00365150%</u>	<u>0.00067408%</u>	
Proportionate share of the net OPEB liability	\$ 1,799,633	\$ -	\$ 1,799,633
Proportionate share of the net OPEB asset	\$ -	\$ 1,200,993	\$ 1,200,993

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 2,183,713	\$ 1,799,633	\$ 1,495,513

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 1,451,974	\$ 1,799,633	\$ 2,259,996

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,029,363	\$ 1,200,993	\$ 1,345,239
		Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,337,096	\$ 1,200,993	\$ 1,062,769

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statements of receipts, disbursements and changes in fund balance - budget and actual (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 budgetary basis and the cash basis are that:

- (a) 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 (cash basis); and,
- (b) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).

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

	General	District Managed Student Activity
Budget basis	\$ (357,677)	\$ 12,118
Funds budgeted elsewhere	(5,230)	-
Year-end encumbrances	-	6,286
Cash basis	\$ (362,907)	\$ 18,404

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the public school support fund, and the self-insurance fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 16 - SET- ASIDES**

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	296,253
Current year offsets	<u>(736,517)</u>
Total	<u>\$ (440,264)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

**NOTE 17 - RELATED PARTY TRANSACTION**

The District conducts business with Blaine Carmichael Sports, for 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 \$75,276 to Blaine Carmichael Sports during fiscal year 2019.

**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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
District managed student activity fund	\$ <u>6,286</u>
Total	<u>\$ 6,286</u>

**NOTE 19 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Franklin Township, Plain Township, Wooster Township, the City of Wooster and Killbuck Township have entered into various tax abatement agreements with various companies for the abatement of property taxes to bring jobs and economic development into the area. The agreements affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$68,790 during fiscal year 2019.

**NOTE 20 – SUBSEQUENT EVENT**

On November 5, 2019, the District passed an additional 1% earned income tax levy. The levy will be used for permanent improvements.

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 68,021
Cash Assistance:		
School Breakfast Program	10.553	52,334
National School Lunch Program	10.555	228,127
Total Child Nutrition Cluster		348,482
Total U.S. Department of Agriculture		348,482
 <b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>		
Special Education Cluster:		
Special Education - Grants to States	84.027	382,703
Special Education Preschool Grants	84.173	2,098
Total Special Education Cluster		384,801
Title I Grants to Local Educational Agencies	84.010	422,660
Improving Teacher Quality State Grants	84.367	66,492
Student Support and Academic Enrichment Program	84.424	33,122
Total U.S. Department of Education		907,075
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,255,557</b>

*The accompanying notes are an integral part of this schedule.*

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Triway Local School District, Wayne County (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - 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 E – 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.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District Wayne County, Ohio, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

January 6, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Triway Local School District's, Wayne County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Triway Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Triway Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

January 6, 2020

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?</b>	No
<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>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 – Title I Grants to Local Educational Agencies Special Education Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019  
(Continued)

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

**FINDING NUMBER 2019-001**

**Noncompliance**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:** See Corrective Action Plan

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

None



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**Sue A. Kruse**, Treasurer  
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## TRIWAY LOCAL SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001 2017-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-(03)B - Filing GAAP Financial Statements (First issued in 2010)	Not Corrected	See finding 2019-001 and Corrective Action Plan.

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**Joshua Stutz**, Director of Curriculum  
**Lisa Acker**, Supervisor of Community and Academic Services  
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**Ben Holt**, Director of Student Services – Secondary  
**Angela Umstead**, School Psychologist, Director of Student Services – Elementary  
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**Sue A. Kruse**, Treasurer  
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## TRIWAY LOCAL SCHOOL DISTRICT

### CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	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.	N/A	Sue Kruse, Treasurer

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 Wooster, OH 44691  
 330-264-6252  
 Fax: 330-263-7078

**Joshua Stutz**, Director of Curriculum  
**Lisa Acker**, Supervisor of Community and Academic Services  
 Phone 330-264-2114, Fax 330-264-6025

**Ben Holt**, Director of Student Services – Secondary  
**Angela Umstead**, School Psychologist, Director of Student Services – Elementary  
 Phone 330-567-2837, Fax 330-567-9107

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# OHIO AUDITOR OF STATE KEITH FABER



**TRIWAY LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 30, 2020**