

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

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

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

**SUE A. KRUSE, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Triway Local School District, Wayne County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Triway Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 28, 2007

**This Page is Intentionally Left Blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report.....	1 - 2
Management’s Discussion and Analysis.....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	19
Statement of Net Assets - Proprietary Fund.....	20
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund.....	21
Statement of Cash Flows - Proprietary Fund .....	22
Statement of Fiduciary Net Assets - Fiduciary Fund .....	23
Notes to the Basic Financial Statements .....	24 - 48
Supplemental Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	50 - 51
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	52 - 53
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	54 - 55



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

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Triway Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

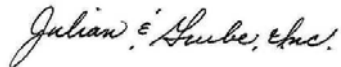
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Triway Local School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Triway Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
December 26, 2006

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

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

The 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 fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$609,283 which represents a 50.87% increase from 2005.
- General revenues accounted for \$15,284,152 in revenue or 84.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,823,147 or 15.59% of total revenues of \$18,107,299.
- The District had \$17,498,016 in expenses related to governmental activities; only \$2,823,147 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,284,152 were adequate to provide for these programs.
- The District's two major governmental funds are the general fund and permanent improvement fund. The general fund had \$15,365,838 in revenues and \$14,893,480 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance increased \$473,817 from a deficit of \$274,298 to a balance of \$199,519.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$607,381 in revenues and \$542,126 in expenditures and other financing uses. During fiscal 2006, the permanent improvement fund's fund balance increased \$65,255 from \$777,784 to \$843,129.

**Using the Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.



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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, expenses and revenues* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

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

***Fiduciary Funds***

The District acts as fiduciary in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-48 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,306,881	\$ 7,733,104
Capital assets, net	<u>3,306,039</u>	<u>3,448,278</u>
Total assets	<u>11,612,920</u>	<u>11,181,382</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,776,787	6,731,869
Long-term liabilities	<u>3,029,168</u>	<u>3,251,831</u>
Total liabilities	<u>9,805,955</u>	<u>9,983,700</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,578,452	1,446,818
Restricted	960,935	875,475
Unrestricted (deficit)	<u>(732,422)</u>	<u>(1,124,611)</u>
Total net assets	<u>\$ 1,806,965</u>	<u>\$ 1,197,682</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$1,806,965.

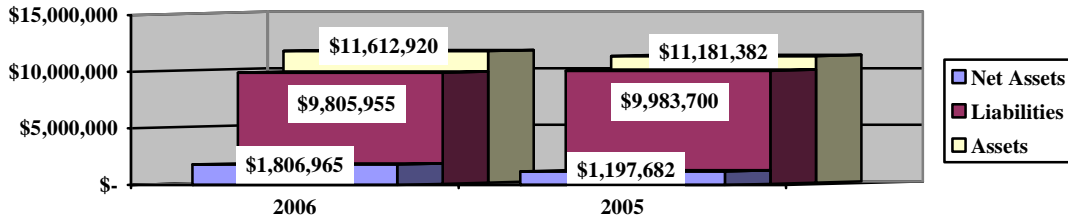
At year-end, capital assets represented 28.47% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2006, was \$1,578,452. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

A portion of the District's net assets, \$960,935, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$732,422

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,364,288	\$ 1,241,578
Operating grants and contributions	1,398,552	1,425,976
Capital grants and contributions	60,307	60,284
General revenues:		
Property taxes	6,517,826	5,129,262
Grants and entitlements	8,605,294	8,496,785
Investment earnings	111,907	50,687
Other	49,125	59,558
Total revenues	<u>18,107,299</u>	<u>16,464,130</u>

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

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

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,174,697	\$ 8,129,832
Special	1,247,398	1,408,120
Vocational	408,539	397,495
Other	117,655	169,669
Support services:		
Pupil	513,215	344,268
Instructional staff	776,032	756,577
Board of education	48,027	43,281
Administration	1,321,274	1,399,815
Fiscal	364,435	321,911
Business	44,760	42,740
Operations and maintenance	1,329,420	1,224,014
Pupil transportation	955,278	1,131,638
Central	430,473	481,362
Food service operations	783,359	754,804
Operations of non-instructional services	198,900	198,890
Extracurricular activities	686,326	736,229
Interest and fiscal charges	<u>98,228</u>	<u>135,038</u>
Total expenses	<u>17,498,016</u>	<u>17,675,683</u>
Change in net assets	609,283	(1,211,553)
Net assets at beginning of year	<u>1,197,682</u>	<u>2,409,235</u>
Net assets at end of year	<u>\$ 1,806,965</u>	<u>\$ 1,197,682</u>

**Governmental Activities**

The net assets of the District's governmental activities increased \$609,283. Total governmental expenses of \$17,498,016 were offset by program revenues of \$2,823,147 and general revenues of \$15,284,152. Program revenues supported 16.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.52% of total governmental revenue. Real estate property is reappraised every six years.

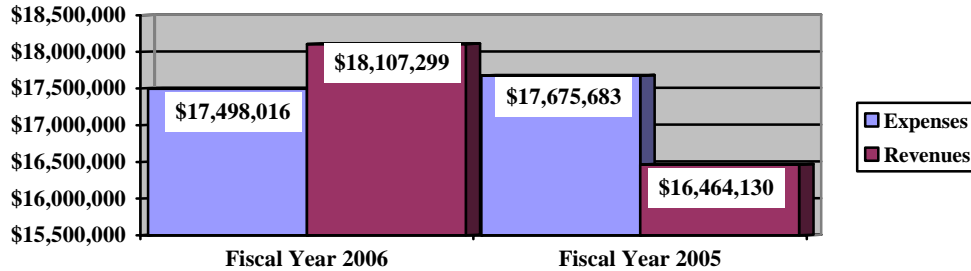
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,948,289 or 56.85% of total governmental expenses for fiscal 2006.

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

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

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,174,697	\$ 7,459,004	\$ 8,129,832	\$ 7,411,675
Special	1,247,398	1,053,901	1,408,120	1,145,302
Vocational	408,539	408,539	397,495	397,495
Other	117,655	117,655	169,669	169,669
Support services:				
Pupil	513,215	513,215	344,268	331,983
Instructional staff	776,032	307,187	756,577	328,063
Board of education	48,027	48,027	43,281	43,281
Administration	1,321,274	1,243,255	1,399,815	1,333,878
Fiscal	364,435	361,729	321,911	321,911
Business	44,760	44,760	42,740	42,740
Operations and maintenance	1,329,420	1,280,219	1,224,014	1,224,014
Pupil transportation	955,278	953,920	1,131,638	1,131,638
Central	430,473	408,601	481,362	459,991
Food service operations	783,359	(7,561)	754,804	(22,180)
Operations of non-instructional services	198,900	(900)	198,890	(10)
Extracurricular activities	686,326	385,090	736,229	493,357
Interest and fiscal charges	98,228	98,228	135,038	135,038
<b>Total expenses</b>	<u>\$ 17,498,016</u>	<u>\$ 14,674,869</u>	<u>\$ 17,675,683</u>	<u>\$ 14,947,845</u>

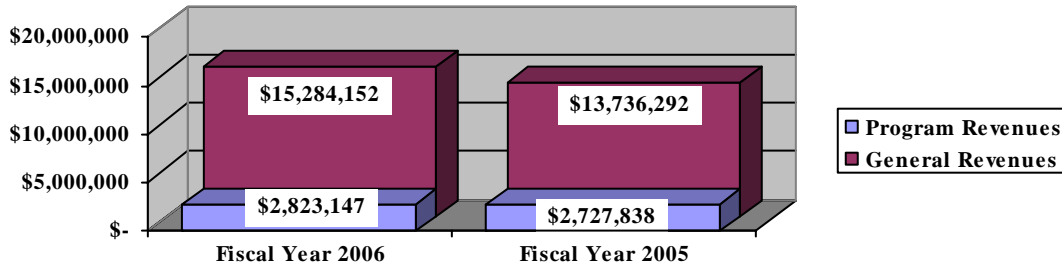
**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 90.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.87%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,167,732, which is higher than last year's total of \$631,315. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	Increase (Decrease)
General	\$ 199,519	\$ (274,298)	\$ 473,817
Permanent improvement	843,129	777,874	65,255
Other Governmental	<u>125,084</u>	<u>127,739</u>	<u>(2,655)</u>
Total	<u>\$ 1,167,732</u>	<u>\$ 631,315</u>	<u>\$ 536,417</u>

**General Fund**

The District's general fund's fund balance increased \$473,817. The increase in fund balance can be attributed to property tax increase and a slight decrease in overall expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,984,720	\$ 4,621,448	\$ 1,363,272	29.50 %
Tuition	488,341	475,499	12,842	2.70 %
Earnings on investments	110,515	50,259	60,256	119.89 %
Intergovernmental	8,605,294	8,496,785	108,509	1.28 %
Other revenues	<u>176,968</u>	<u>124,692</u>	<u>52,276</u>	41.92 %
Total	<u>\$ 15,365,838</u>	<u>\$ 13,768,683</u>	<u>\$ 1,597,155</u>	11.60 %
<b><u>Expenditures</u></b>				
Instruction	\$ 9,547,687	\$ 9,573,935	\$ (26,248)	(0.27) %
Support services	4,912,446	4,965,458	(53,012)	(1.07) %
Extracurricular activities	<u>371,559</u>	<u>435,230</u>	<u>(63,671)</u>	(14.63) %
Total	<u>\$ 14,831,692</u>	<u>\$ 14,974,623</u>	<u>\$ (142,931)</u>	(0.95) %

The most significant increase in revenues occurred in taxes and earnings on investments. The increase in taxes can be attributed to a larger tax base and an increased rate. The increase in earnings on investment was primarily due to increases in interest rates received on investments. Overall, expenditures remained consistent with the previous year, although, slightly lower.

***Permanent Improvement Fund***

The District's permanent improvement fund, fund balance increased by \$65,255. The increase in fund balance can be attributed to increased tax revenues still being more than increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the permanent improvement fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 547,074	\$ 488,411	12.01 %
Intergovernmental	<u>60,307</u>	<u>60,284</u>	0.04 %
Total	<u>\$ 607,381</u>	<u>\$ 548,695</u>	10.70 %
<b><u>Expenditures</u></b>			
Instruction	\$ 25,935	\$ 31,583	(17.88) %
Support services	58,841	68,533	(14.14) %
Facilities acquisition and construction	<u>137,314</u>	<u>40,909</u>	235.66 %
Total	<u>\$ 222,090</u>	<u>\$ 141,025</u>	57.48 %

The increase in revenues can be attributed to a larger tax rate. The increase in facilities acquisition and construction can be attributed to the purchase of a new track.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

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

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

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues were \$14,453,437 and final budgeted revenues were \$14,983,691. Actual revenues and other financing sources for fiscal 2006 was \$15,351,244. This represents a \$367,553 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,926,910 were increased to \$15,122,991 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$14,966,123, which was \$156,868 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$3,306,039 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 75,083	\$ 75,083
Land improvements	75,820	60,192
Building and improvements	2,613,011	2,698,810
Furniture and equipment	253,004	222,277
Vehicles	<u>289,121</u>	<u>391,916</u>
<b>Total</b>	<b><u>\$ 3,306,039</u></b>	<b><u>\$ 3,448,278</u></b>

Total additions to capital assets for 2006 were \$233,527. The overall decrease in capital assets of \$142,239 is primarily due to the recording of \$375,766 in depreciation expense for fiscal 2006.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2006, the District had \$340,049 in energy conservation notes and \$1,387,538 tax anticipation notes outstanding. Of this total, \$289,251 is due within one year and \$1,438,336 is due within greater than one year. The following table summarizes the notes outstanding.

	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
Energy conservation notes	\$ 340,049	\$ 379,652
Tax anticipation notes	<u>1,387,538</u>	<u>1,621,808</u>
<b>Total</b>	<b><u>\$ 1,727,587</u></b>	<b><u>\$ 2,001,460</u></b>



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

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

The energy conservation notes were received in 1992. These notes are scheduled to mature in fiscal year 2013 and bear an interest rate of 6.05%. Payment of principal and interest on the energy conservation note is being made from the debt service fund.

The tax anticipation notes were received in 2000. These notes are scheduled to mature in fiscal year 2010 and bear an interest rate of 5.70%. Payment of principal and interest on the tax anticipation note is being made from the debt service fund.

See Note 9 to the basic financial statements for additional information on the District's long term debt.

**Current Financial Related Activities**

District finances changed dramatically with the passage of a 3-year, \$1.2 million emergency levy in November 2005. One-half year collection was realized in FY 2006. The Board reinstated full transportation and eliminated pay-to-participate activities fees. However, other financial reductions, such as limited field trips and no overtime, continue. The district plans to implement all-day, everyday kindergarten in FY 2007 to eliminate midday bussing.

A 5.9 mill levy is up for renewal in FY 2007. Triway is very close to the 20-mill floor. The Board, Superintendent, and Treasurer will study the effect of allowing the levy to expire uneventfully. Very little, if any, revenue will be lost by doing so. The lower millage potentially serves to lure builders of new homes into the district.

Negotiations during spring 2006 resulted in salary increases and additional employee contributions to the health care plan. Bases wages/salaries will increase 2.95%-2.85%-2.75% over the life of the three-year negotiated agreement. Changes in the health care plan save the District approximately \$250,000 annually.

The enrollment factor continues to be of concern. State funding no longer averages enrollment over a three-year period, which is a disadvantage to districts, such as Triway, with declining enrollments. The Board hopes improving curriculum, technology and test scores may draw more students to the District.

Meanwhile, as the Board attempts to fulfill unfunded mandates set by NCLB, state funding is being reduced through various legislative mechanisms. The phase-out of inventory taxes is being accelerated. The \$10,000 exemption reimbursement is also phased-out, even though the exemption still exists. Tangible personal property (TPP) taxes are due to be completely eliminated by 2010. State reimbursements will come by direct payment and eventually via the school foundation system as a result of reduced valuation. The District stands to lose approximately \$500,000, which is the total loss of TPP tax revenues less the reduction in charge-off. Administrative fees are taking a bite out of rollback and homestead reimbursements. These losses translate into real dollars for Triway to recoup.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sue Kruse, Treasurer, Triway Local School District, 3205 Shreve Road, Wooster, Ohio 44691-4498.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,647,812
Receivables:	
Taxes . . . . .	5,562,601
Accounts . . . . .	682
Intergovernmental . . . . .	30,402
Materials and supplies inventory . . . . .	23,619
Prepayments . . . . .	41,765
Capital assets:	
Land . . . . .	75,083
Depreciable capital assets, net . . . . .	3,230,956
Capital assets, net. . . . .	3,306,039
 Total assets. . . . .	 11,612,920
<b>Liabilities:</b>	
Accounts payable. . . . .	1,885
Accrued wages and benefits . . . . .	1,340,917
Pension obligation payable. . . . .	344,127
Intergovernmental payable . . . . .	22,105
Deferred revenue . . . . .	5,028,535
Accrued interest payable . . . . .	20,044
Claims payable . . . . .	19,174
Long-term liabilities:	
Due within one year. . . . .	490,070
Due in more than one year . . . . .	2,539,098
Total liabilities . . . . .	9,805,955
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,578,452
Restricted for:	
Locally funded programs. . . . .	493
State funded programs . . . . .	1,649
Federally funded programs. . . . .	589
Student activities . . . . .	58,244
Public school support . . . . .	34,272
Other purposes. . . . .	13,349
Capital projects . . . . .	852,339
Unrestricted (deficit) . . . . .	(732,422)
Total net assets . . . . .	\$ 1,806,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

		Program Revenues				Net (Expense) Revenue and and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 8,174,697	\$ 617,184	\$ 91,467	\$ 7,042	\$	(7,459,004)
Special . . . . .	1,247,398	-	193,497	-		(1,053,901)
Vocational . . . . .	408,539	-	-	-		(408,539)
Other . . . . .	117,655	-	-	-		(117,655)
Support services:						
Pupil . . . . .	513,215	-	-	-		(513,215)
Instructional staff . . . . .	776,032	-	468,845	-		(307,187)
Board of education . . . . .	48,027	-	-	-		(48,027)
Administration . . . . .	1,321,274	-	78,019	-		(1,243,255)
Fiscal . . . . .	364,435	-	-	2,706		(361,729)
Business . . . . .	44,760	-	-	-		(44,760)
Operations and maintenance . . . . .	1,329,420	-	-	49,201		(1,280,219)
Pupil transportation . . . . .	955,278	-	-	1,358		(953,920)
Central . . . . .	430,473	-	21,872	-		(408,601)
Operation of non-instructional services:						
Food service operations . . . . .	783,359	445,868	345,052	-		7,561
Other non-instructional services . . . . .	198,900	-	199,800	-		900
Extracurricular activities . . . . .	686,326	301,236	-	-		(385,090)
Interest and fiscal charges . . . . .	98,228	-	-	-		(98,228)
Total governmental activities . . . . .	\$ 17,498,016	\$ 1,364,288	\$ 1,398,552	\$ 60,307		(14,674,869)
<b>General Revenues:</b>						
Property taxes levied for:						
General purposes . . . . .						5,973,749
Capital projects . . . . .						544,077
Grants and entitlements not restricted to specific programs . . . . .						8,605,294
Investment earnings . . . . .						111,907
Miscellaneous . . . . .						49,125
Total general revenues . . . . .						15,284,152
Change in net assets . . . . .						609,283
<b>Net assets at beginning of year . . . . .</b>						1,197,682
<b>Net assets at end of year . . . . .</b>						\$ 1,806,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,562,944	\$ 809,004	\$ 140,913	\$ 2,512,861
Receivables:				
Taxes . . . . .	5,111,250	451,351	-	5,562,601
Accounts . . . . .	125	-	557	682
Intergovernmental . . . . .	-	-	30,402	30,402
Materials and supplies inventory . . . . .	3,636	-	19,983	23,619
Prepayments . . . . .	41,765	-	-	41,765
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	13,349	-	-	13,349
Total assets . . . . .	<u>\$ 6,733,069</u>	<u>\$ 1,260,355</u>	<u>\$ 191,855</u>	<u>\$ 8,185,279</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 1,885	\$ -	\$ -	\$ 1,885
Accrued wages and benefits . . . . .	1,298,920	-	41,997	1,340,917
Compensated absences payable . . . . .	166,476	-	-	166,476
Pension obligation payable. . . . .	320,588	-	23,539	344,127
Intergovernmental payable. . . . .	20,870	-	1,235	22,105
Deferred revenue. . . . .	4,724,811	417,226	-	5,142,037
Total liabilities . . . . .	<u>6,533,550</u>	<u>417,226</u>	<u>66,771</u>	<u>7,017,547</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	47,703	381,748	22,798	452,249
Reserved for materials and supplies inventory. . . . .	3,636	-	19,983	23,619
Reserved for tax revenue unavailable for appropriation . . . . .	386,439	34,125	-	420,564
Reserved for prepayments. . . . .	41,765	-	-	41,765
Reserved for school bus purchases . . . . .	13,349	-	-	13,349
Unreserved, undesignated, (deficit) reported in:				
General fund . . . . .	(293,373)	-	-	(293,373)
Special revenue funds. . . . .	-	-	82,303	82,303
Capital projects funds. . . . .	-	427,256	-	427,256
Total fund balances . . . . .	<u>199,519</u>	<u>843,129</u>	<u>125,084</u>	<u>1,167,732</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,733,069</u>	<u>\$ 1,260,355</u>	<u>\$ 191,855</u>	<u>\$ 8,185,279</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$	1,167,732
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,306,039
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			113,502
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			102,428
In the statement of activities interest is accrued on outstanding notes, whereas in the governmental funds, interest expenditures are reported when due			(20,044)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	(1,135,105)	
Energy conservation notes		(340,049)	
Tax anticipation notes		<u>(1,387,538)</u>	
Total			<u>(2,862,692)</u>
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u><u>1,806,965</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,984,720	\$ 547,074	\$ -	\$ 6,531,794
Tuition. . . . .	488,341	-	-	488,341
Charges for services. . . . .	-	-	445,868	445,868
Earnings on investments. . . . .	110,515	-	1,392	111,907
Extracurricular. . . . .	-	-	301,236	301,236
Classroom materials and fees . . . . .	128,843	-	-	128,843
Other local revenues. . . . .	48,125	-	83,019	131,144
Intergovernmental - Intermediate . . . . .	127,081	-	-	127,081
Intergovernmental - State . . . . .	8,478,213	60,307	233,183	8,771,703
Intergovernmental - Federal. . . . .	-	-	1,083,350	1,083,350
Total revenue . . . . .	<u>15,365,838</u>	<u>607,381</u>	<u>2,148,048</u>	<u>18,121,267</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,981,755	25,935	93,805	8,101,495
Special. . . . .	1,051,172	-	193,632	1,244,804
Vocational. . . . .	397,105	-	-	397,105
Other . . . . .	117,655	-	-	117,655
Support services:				
Pupil. . . . .	487,269	-	8,187	495,456
Instructional staff . . . . .	304,172	-	468,966	773,138
Board of education . . . . .	48,027	-	-	48,027
Administration. . . . .	1,229,079	-	67,514	1,296,593
Fiscal . . . . .	352,731	9,965	-	362,696
Business . . . . .	44,760	-	-	44,760
Operations and maintenance. . . . .	1,191,919	43,876	1	1,235,796
Pupil transportation . . . . .	839,535	-	-	839,535
Central. . . . .	414,954	5,000	21,114	441,068
Operation of non-instructional services:				
Food service operations . . . . .	-	-	796,226	796,226
Other non-instructional services . . . . .	-	-	198,900	198,900
Extracurricular activities. . . . .	371,559	-	300,580	672,139
Facilities acquisition and construction . . . . .	-	137,314	-	137,314
Debt service:				
Principal retirement . . . . .	-	-	273,873	273,873
Interest and fiscal charges . . . . .	-	-	104,451	104,451
Total expenditures . . . . .	<u>14,831,692</u>	<u>222,090</u>	<u>2,527,249</u>	<u>17,581,031</u>
Excess of revenues over (under) expenditures. . . . .	<u>534,146</u>	<u>385,291</u>	<u>(379,201)</u>	<u>540,236</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	381,824	381,824
Transfers out . . . . .	(61,788)	(320,036)	-	(381,824)
Total other financing sources (uses) . . . . .	<u>(61,788)</u>	<u>(320,036)</u>	<u>381,824</u>	<u>-</u>
Net change in fund balances . . . . .	472,358	65,255	2,623	540,236
<b>Fund balances (deficit) at beginning of year . . . . .</b>				
	(274,298)	777,874	127,739	631,315
<b>Increase (decrease) in reserve for inventory . . . . .</b>				
	1,459	-	(5,278)	(3,819)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 199,519</u>	<u>\$ 843,129</u>	<u>\$ 125,084</u>	<u>\$ 1,167,732</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Net change in fund balances - total governmental funds</b>	\$	540,236
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 233,527	
Current year depreciation	<u>(375,766)</u>	
Total		(142,239)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(13,968)
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, interest is expensed when due		6,223
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(3,819)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		273,873
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(43,023)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities		<u>(8,000)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>609,283</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,219,909	\$ 5,411,412	\$ 5,954,921	\$ 543,509
Tuition. . . . .	572,979	594,000	488,340	(105,660)
Earnings on investments. . . . .	62,700	65,000	113,781	48,781
Classroom materials and fees . . . . .	79,098	82,000	128,718	46,718
Other revenue. . . . .	47,266	49,000	51,132	2,132
Intergovernmental - Intermediate . . . . .	125,399	130,000	127,081	(2,919)
Intergovernmental - State . . . . .	8,346,086	8,652,279	8,487,271	(165,008)
Total revenue . . . . .	<u>14,453,437</u>	<u>14,983,691</u>	<u>15,351,244</u>	<u>367,553</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,883,268	7,987,253	7,963,453	23,800
Special. . . . .	1,120,703	1,135,486	1,128,776	6,710
Vocational. . . . .	394,715	399,922	396,158	3,764
Other . . . . .	147,530	149,476	117,655	31,821
Support Services:				
Pupil. . . . .	485,828	492,236	487,643	4,593
Instructional staff . . . . .	303,234	307,234	302,457	4,777
Board of education . . . . .	47,306	47,930	46,063	1,867
Administration. . . . .	1,216,405	1,232,450	1,220,751	11,699
Fiscal . . . . .	346,450	351,020	349,950	1,070
Business . . . . .	48,804	49,448	44,760	4,688
Operations and maintenance. . . . .	1,223,490	1,239,629	1,210,703	28,926
Pupil transportation . . . . .	854,860	866,136	843,253	22,883
Central. . . . .	409,319	414,718	412,025	2,693
Extracurricular activities. . . . .	383,210	388,265	380,688	7,577
Total expenditures . . . . .	<u>14,865,122</u>	<u>15,061,203</u>	<u>14,904,335</u>	<u>156,868</u>
Excess of revenues over (under) expenditures. . . . .	(411,685)	(77,512)	446,909	524,421
<b>Other financing uses:</b>				
Transfers (out) . . . . .	(61,788)	(61,788)	(61,788)	-
Total other financing uses . . . . .	<u>(61,788)</u>	<u>(61,788)</u>	<u>(61,788)</u>	<u>-</u>
Net change in fund balance . . . . .	(473,473)	(139,300)	385,121	524,421
<b>Fund balance at beginning of year. . . . .</b>	1,095,802	1,095,802	1,095,802	-
<b>Prior year encumbrances appropriated . . . . .</b>	47,090	47,090	47,090	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 669,419</u>	<u>\$ 1,003,592</u>	<u>\$ 1,528,013</u>	<u>\$ 524,421</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 121,602
Total assets . . . . .	121,602
<b>Liabilities:</b>	
Claims payable . . . . .	19,174
Total liabilities . . . . .	19,174
<b>Net assets:</b>	
Unrestricted. . . . .	102,428
Total net assets . . . . .	\$ 102,428

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 134,387
Total operating revenues . . . . .	<u>134,387</u>
 <b>Operating expenses:</b>	
Claims . . . . .	131,389
Administrative services . . . . .	<u>10,998</u>
Total operating expenses . . . . .	<u>142,387</u>
 Change in net assets. . . . .	(8,000)
 <b>Net assets at beginning of year . . . . .</b>	 <u>110,428</u>
 <b>Net assets at end of year . . . . .</b>	 <u><u>\$ 102,428</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 134,387
Cash payments for claims . . . . .	(131,304)
Cash payments for administrative services . . . . .	<u>(10,998)</u>
Net cash used in operating activities . . . . .	<u>(7,915)</u>
Net decrease in cash and cash equivalents . . . . .	(7,915)
<b>Cash and cash equivalents at beginning of year . .</b>	<u>129,517</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 121,602</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (8,000)
Changes in assets and liabilities: Increase in claims payable . . . . .	<u>85</u>
Net cash used in operating activities . . . . .	<u><u>\$ (7,915)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 43,836
Total assets . . . . .	\$ 43,836
<b>Liabilities:</b>	
Deposits held and due to others. . . . .	\$ 12,304
Due to students . . . . .	31,532
Total liabilities . . . . .	\$ 43,836

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, 2006**

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

The Triway Local School District (the "District") is located in Wayne County, including all of the Village of Shreve, and portions of Clinton, Franklin, Wooster, and Plaid Townships. 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 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 92 non-certified and 146 (including administrative) certified full-time and part-time employees to provide services to approximately 2,166 students in grades K through 12 and various community groups, which ranks it 257 out of approximately 615 public school districts in Ohio.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Midland Council of Governments

The District is a member of the Midland Council of Governments (the "COG"), which was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other 21 members are assessed annual user fees for data services, none of the members retain an ongoing financial interest in the COG.

Ashland County - West Holmes Career Center (the "Career Center")

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Career Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Permanent Improvement Fund - The permanent improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

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 enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.



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

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

**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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

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

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

2. By no later than January 20, the board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

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

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

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$110,515, which includes \$48,447 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	45 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 years

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**K. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property taxes unavailable for appropriation, prepayments and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

**M. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation were \$0 in the statement of net assets.

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

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount received for school bus purchases. See Note 15 for details.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

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

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

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

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balances**

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Title VI-B	\$ 246
Title I	195
Improving Teacher Quality	92

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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



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

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

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

**A. Cash on Hand**

At year-end, the District had \$4,000 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$2,273,153. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$2,094,043 of the District's bank balance of \$2,494,043 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

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

<u>Investment type</u>	<u>Investment Maturities</u>	
<u>Fair Value</u>	<u>6 months or</u>	<u>less</u>
STAR Ohio	\$ 414,495	\$ 414,495

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 414,495	100.00

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

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

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

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,273,153
Investments	414,495
Cash on hand	<u>4,000</u>
Total	<u>\$ 2,691,648</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,647,812
Agency funds	<u>43,836</u>
Total	<u>\$ 2,691,648</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 61,788
Permanent Improvement Fund	<u>320,036</u>
Total Transfers	<u>\$ 381,824</u>

All transfers made in fiscal year 2006 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the permanent improvement fund are to pay the principal and interest requirements of the tax anticipation notes.

**NOTE 6 - PROPERTY TAXES**

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

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

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

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$386,439 in the general fund and \$34,125 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$356,640 in the general fund and \$37,769 in the permanent improvement fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

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

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

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 195,824,600	86.57	\$ 214,542,110	86.97
Public utility personal	10,306,400	4.56	11,019,760	4.47
Tangible personal property	<u>20,068,286</u>	<u>8.87</u>	<u>21,134,242</u>	<u>8.56</u>
Total	<u>\$ 226,199,286</u>	<u>100.00</u>	<u>\$ 246,696,112</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 44.20		\$ 49.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 5,562,601
Accounts	682
Intergovernmental	<u>30,402</u>
Total	<u>\$ 5,593,685</u>

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

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

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

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,083	\$ -	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	844,968	29,869	-	874,837
Buildings and improvements	6,903,995	31,904	-	6,935,899
Furniture and equipment	750,490	166,754	-	917,244
Vehicles	<u>1,430,567</u>	<u>5,000</u>	<u>-</u>	<u>1,435,567</u>
Total capital assets, being depreciated	<u>9,930,020</u>	<u>233,527</u>	<u>-</u>	<u>10,163,547</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(784,776)	(14,241)	-	(799,017)
Buildings and improvements	(4,205,185)	(117,703)	-	(4,322,888)
Furniture and equipment	(528,213)	(136,027)	-	(664,240)
Vehicles	<u>(1,038,651)</u>	<u>(107,795)</u>	<u>-</u>	<u>(1,146,446)</u>
Total accumulated depreciation	<u>(6,556,825)</u>	<u>(375,766)</u>	<u>-</u>	<u>(6,932,591)</u>
Governmental activities capital assets, net	<u>\$ 3,448,278</u>	<u>\$ (142,239)</u>	<u>\$ -</u>	<u>\$ 3,306,039</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 132,971
Vocational	580
<u>Support Services:</u>	
Administration	61,008
Fiscal	1,819
Operations and Maintenance	25,644
Pupil Transportation	110,212
Central	4,680
Extracurricular Activities	14,187
Food Service Operation	<u>24,665</u>
Total depreciation expense	<u>\$ 375,766</u>

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

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

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Tax anticipation notes	\$ 1,621,808	\$ -	\$ (234,270)	\$ 1,387,538	\$ 247,623
Energy conservation notes	379,652	-	(39,603)	340,049	41,628
Compensated absences	<u>1,250,371</u>	<u>232,997</u>	<u>(181,787)</u>	<u>1,301,581</u>	<u>200,819</u>
Total long-term obligations, governmental activities	<u>\$ 3,251,831</u>	<u>\$ 232,997</u>	<u>\$ (455,660)</u>	<u>\$ 3,029,168</u>	<u>\$ 490,070</u>

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

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

<u>Year Ending June 30</u>	<u>Energy Conservation Notes</u>
2007	\$ 58,287
2008	58,287
2009	58,287
2010	58,288
2011	58,288
2012 - 2013	<u>116,574</u>
Total	408,011
Less: interest	<u>(67,962)</u>
Total principal	<u>\$ 340,049</u>

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

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

- C. During fiscal 2001, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mill levy for permanent improvements. The notes bear an interest rate of 5.7% and mature on July 12, 2010. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment.

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

Year Ending <u>June 30</u>	Tax <u>Anticipation Notes</u>
2007	\$ 319,655
2008	319,254
2009	318,828
2010	318,379
2011	<u>317,904</u>
Total	1,594,020
Less: interest	<u>(206,482)</u>
Total principal	<u>\$ 1,387,538</u>

**D. 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 effects of these debt limitations at June 30, 2006 are a voted debt margin of \$20,815,112, an unvoted debt margin of \$246,696 and an unvoted energy conservation debt margin of \$1,880,216.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive, Employee Health and Dental Self-Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for dental benefits offered to employees. Under this program, the Self Insurance fund provides coverage for each claim, capped at \$150,000 annually for all claims. The plan is administered by Mutual Health Services, Inc. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss, including health, life, fleet, property and casualty, and district-wide liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in the amounts of insurance coverage from fiscal 2005.



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

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

**NOTE 10 - RISK MANAGEMENT - (Continued)**

All funds of the District participate in the program and make payments to the Self Insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). For fiscal year 2006, the District paid into the Self Insurance fund a monthly premium of \$19.27 for single coverage, and \$64.28 for family coverage. The District's independent third-party administrator has actuarially determined that \$19,174 is a good and sufficient provision for all unmatured claim obligations (including both reported, but unpaid claims, and incurred, but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 2006.

The claims liability of \$19,174 reported in the fund at June 30, 2006, is based on the provisions of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2006	\$ 19,089	\$ 131,389	\$ (131,304)	\$ 19,174
2005	18,843	127,519	(127,273)	19,089

The District retains all reserves, in anticipation of future claims. For the fiscal 2006 plan year, the District's reserves amounted to over \$121,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

**B. Workers' Compensation**

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

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

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$211,000, \$204,858, and \$176,763; 41.50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$123,442 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

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

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

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

**NOTE 11 - PENSION PLANS – (Continued)**

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

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

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,013,438, \$1,024,212 and \$995,040; 85.65 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$145,451 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$6,838 made by the District and \$18,701 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$77,957 for fiscal year 2006.

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

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

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

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$59,359 to fund health care benefits, including the surcharge.

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

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 385,121
Net adjustment for revenue accruals	14,594
Net adjustment for expenditure accruals	24,363
Adjustment for encumbrances	<u>48,280</u>
GAAP basis	<u>\$ 472,358</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

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

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (294,647)	\$ (3,956,573)
Current year set-aside requirement	294,771	294,771
Qualifying disbursements	<u>(405,980)</u>	<u>(222,437)</u>
Total	<u>\$ (405,856)</u>	<u>\$ (3,884,239)</u>
Balance carried forward FY 2007	<u>\$ (405,856)</u>	<u>\$ (3,884,239)</u>

The District also had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for the textbooks and capital acquisition reserves. These extra amounts may be used to reduce the set-aside requirement for future years.

The District received monies restricted for school bus purchases. The amount of \$13,349 for school bus reserves is in the general fund on the combined balance sheet at June 30, 2006.

A schedule of the general fund restricted assets at June 30, 2006 follows:

Amount restricted for bus purchase allowance	<u>\$ 13,349</u>
--	------------------

## **SUPPLEMENTAL DATA**

**TRIWAY LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<b>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE</b>	<b>CFDA #</b>	<b>Grant I.D. Number</b>	<b>Cash Federal Receipts</b>	<b>Other Federal Receipts</b>	<b>Cash Federal Expenditures</b>	<b>Other Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Donation	10.550	N/A	\$ -	\$ 106,720	\$ -	\$ 106,720
(A),(C) National School Breakfast	10.553	050591-05PU-2005	3,890	-	3,890	-
(A),(C) National School Breakfast	10.553	050591-05PU-2006	19,253	-	19,253	-
(A),(C) National School Lunch	10.555	050591-LLP4-2005	32,089	-	32,089	-
(A),(C) National School Lunch	10.555	050591-LLP4-2006	145,112	-	145,112	-
<b>Total Nutrition Cluster</b>			<u>200,344</u>	<u>106,720</u>	<u>200,344</u>	<u>106,720</u>
<b>Total U.S. Department of Agriculture</b>			<u>200,344</u>	<u>106,720</u>	<u>200,344</u>	<u>106,720</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	050591-C1S1-2006	<u>166,090</u>		<u>166,090</u>	
Special Education: Grants to States	84.027	050591-6BSF-2005	-		117	
Special Education: Grants to States	84.027	050591-6BSF-2006	<u>490,486</u>		<u>490,426</u>	
<b>Total Special Education: Grants to States</b>			<u>490,486</u>		<u>490,543</u>	
Safe and Drug-Free Schools and Communities	84.168	050591-DRS1-2005	-		165	
Safe and Drug-Free Schools and Communities	84.168	050591-DRS1-2006	<u>7,889</u>		<u>7,299</u>	
<b>Total Safe and Drug-Free Schools and Communities</b>			<u>7,889</u>		<u>7,464</u>	
Title VI - State Grants for Innovative Programs	84.298	050591-C2S1-2006	<u>5,766</u>		<u>5,766</u>	
Technology Literacy Challenge Fund Grants	84.318	050591-TJS1-2006	<u>3,022</u>		<u>3,022</u>	
Improving Teacher Quality	84.367	050591-TRS1-2006	<u>72,631</u>		<u>72,631</u>	
<b>Total U.S. Department of Education</b>			<u>745,883</u>		<u>745,516</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES:</b>						
(D) Medical Assistance Program	93.778	N/A	<u>24,728</u>		<u>24,728</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 970,955</u>	<u>\$ 106,720</u>	<u>\$ 970,588</u>	<u>\$ 106,720</u>

(A) Included as part of "Nutrition Grant Cluster" in determining major programs.

(B) The Food Distribution Program is a non-cash, in kind federal grant. Commodities are valued at fair market prices.

(C) Commingled with the state and local revenue from sales of lunches; assumed expenditures were made on a first in first out basis.

(D) Passed through the Tri-County Educational Service Center.





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

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

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

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the Triway Local School District's basic financial statements and have issued our report thereon dated December 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

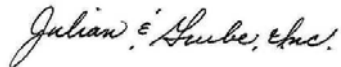
In planning and performing our audit, we considered Triway Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that we have reported to the management of the Triway Local School District in a separate letter dated December 26, 2006.

Board of Education  
Triway Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Triway Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of the Triway Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
December 26, 2006



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

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

**Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

Board of Education  
Triway Local School District  
3205 Shreve Road  
Wooster, Ohio 44691-9491

Compliance

We have audited the compliance of Triway Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Triway Local School District's management. Our responsibility is to express an opinion on Triway Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Triway Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Triway Local School District's compliance with those requirements.

In our opinion, Triway Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

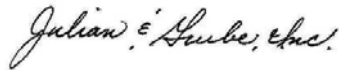
Board of Education  
Triway Local School District

Internal Control Over Compliance

The management of Triway Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Triway Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Education of Triway Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
December 26, 2006

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program:	Special Education: Grants to States; CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2006**

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

None.

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

None.



Mary Taylor, CPA  
Auditor of State

TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 13, 2007