



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups June 30, 2001	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Fiduciary Fund – For the Year Ended June 30, 2001	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types and Similar Fiduciary Fund – For the Year Ended June 30, 2001	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Proprietary Fund Type For the Year Ended June 30, 2001	10
Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type – For the Year Ended June 30, 2001	11
Combined Statement of Cash Flows – Proprietary Fund Type For the Year Ended June 30, 2001	12
Notes to the General-Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	37
Notes to the Schedule of Federal Awards Expenditures	38
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings	43

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Triad Local School District (the District), Champaign County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Triad Local School District, Champaign County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, for the year ended June 30, 2001, the District implemented Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 2, 2001

This page intentionally left blank.

TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$837,515	\$183,910	\$68,669	\$9,468,178
Receivables:				
Property Taxes	1,475,638	30,189	242,868	
Income Taxes	296,125			
Accounts		6,748		
Intergovernmental - State	4,089			5,761,467
Intergovernmental - Federal		437		
Interfund	21,193			
Accrued Interest	12,214			54,359
Materials and Supplies Inventory				
Prepaid Items	27,806			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,472			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>2,717,052</u>	<u>221,284</u>	<u>311,537</u>	<u>15,284,004</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	28,078	5,287		
Contracts Payable				650,682
Accrued Wages and Benefits	474,635	132		
Intergovernmental Payable	201,217	932		
Interfund Payable				20,000
Due to Students				
Deferred Revenue	1,314,314	29,700	214,572	5,761,467
Compensated Absences Payable				
Capital Leases Payable				
Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>2,018,244</u>	<u>36,051</u>	<u>214,572</u>	<u>6,432,149</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Property Taxes	133,507		24,718	
Reserved for Budget Stabilization	42,472			
Reserved for Encumbrances	13,576	5,968		604,506
Reserved for Prepaid Items	27,806	204		
Reserved for Debt Service Principal			72,247	
Unreserved:				
Unreserved, Undesignated	481,447	179,061		8,247,349
Total Fund Equity and Other Credits	<u>698,808</u>	<u>185,233</u>	<u>96,965</u>	<u>8,851,855</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$2,717,052</u>	<u>\$221,284</u>	<u>\$311,537</u>	<u>\$15,284,004</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$83,888	\$41,867			\$10,684,027
				1,748,695
				296,125
8	6,017			12,773
				5,765,556
				437
				21,193
39	42			66,654
3,214				3,214
1,234				29,040
				42,472
34,434		6,478,665		6,513,099
			96,965	96,965
			3,690,374	3,690,374
<u>\$122,817</u>	<u>\$47,926</u>	<u>\$6,478,665</u>	<u>\$3,787,339</u>	<u>\$28,970,624</u>
	\$236			\$33,601
				650,682
15,167				489,934
24,999				227,148
	1,193			21,193
	40,166			40,166
2,277				7,322,330
13,510			391,356	404,866
			36,146	36,146
			230,852	230,852
			3,128,985	3,128,985
<u>55,953</u>	<u>41,595</u>		<u>3,787,339</u>	<u>12,585,903</u>
		6,478,665		6,478,665
25,070				25,070
41,794				41,794
				158,225
				42,472
				624,050
				28,010
				72,247
	6,331			8,914,188
66,864	6,331	6,478,665		16,384,721
<u>\$122,817</u>	<u>\$47,926</u>	<u>\$6,478,665</u>	<u>\$3,787,339</u>	<u>\$28,970,624</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property & Other Local Taxes	\$1,274,732	\$29,049	\$225,658			\$1,529,439
Income Tax	907,714					907,714
Tuition and Fees	2,975					2,975
Interest	83,245			247,116	381	330,742
Sales	2,765	113,694				116,459
Other Local Revenue	30,518	5,908				36,426
Intergovernmental - State	4,107,781	70,143	25,506	7,241,310		11,444,740
Intergovernmental - Federal		240,973				240,973
Miscellaneous	1,626					1,626
Total Revenues	<u>6,411,356</u>	<u>459,767</u>	<u>251,164</u>	<u>7,488,426</u>	<u>381</u>	<u>14,611,094</u>
Expenditures:						
Current:						
Instruction						
Regular	2,817,408	89,215		5,284	1,250	2,913,157
Special	484,552	89,737				574,289
Vocational	138,875					138,875
Support services:						
Pupils	326,839	60,575				387,414
Instructional Staff	250,968	13,140				264,108
Board of Education	26,692					26,692
Administration	630,761	51,565				682,326
Fiscal	260,550	697	5,477			266,724
Business						
Operation and Maintenance of Plant	400,726	950		12,200		413,876
Pupil Transportation	381,690	2,407				384,097
Central	138,094	13,925		945,249		1,097,268
Non-Instructional Services						
Extracurricular activities	175,994	72,429				248,423
Capital Outlay	137,281	53,171		1,397,000		1,587,452
Debt Service						
Principal Retirement	72,557		251,543			324,100
Interest Charges	6,110		185,555			191,665
Total Expenditures	<u>6,249,097</u>	<u>447,811</u>	<u>442,575</u>	<u>2,359,733</u>	<u>1,250</u>	<u>9,500,466</u>
Excess of Revenues Over/(Under) Expenditures	<u>162,259</u>	<u>11,956</u>	<u>(191,411)</u>	<u>5,128,693</u>	<u>(869)</u>	<u>5,110,628</u>
Other Financing Sources and Uses						
Operating Transfers In		44	164,800	88,900		253,744
Operating Transfers Out	<u>(253,744)</u>					<u>(253,744)</u>
Total Other Financing Sources (Uses)	<u>(253,744)</u>	<u>44</u>	<u>164,800</u>	<u>88,900</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(91,485)	12,000	(26,611)	5,217,593	(869)	5,110,628
Fund Balance at Beginning of Year	786,379	173,233	123,576	3,634,262	7,200	4,724,650
Increase in Reserve for Prepaid Items	3,914					3,914
Fund Balance at End of Year	<u>\$698,808</u>	<u>\$185,233</u>	<u>\$96,965</u>	<u>\$8,851,855</u>	<u>\$6,331</u>	<u>\$9,839,192</u>

The notes to the general purpose financial statements are an integral part of this statement.

This page intentionally left blank.

TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types					
	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,392,000	\$1,226,721	(\$165,279)	\$36,000	\$28,560	(\$7,440)
Income Tax	900,000	\$899,299	(701)			
Tuition and Fees	8,000	8,133	133			
Interest	86,000	87,224	1,224			
Sales	3,500	2,765	(735)	135,650	114,833	(20,817)
Other Local Revenues	49,100	41,722	(7,378)	9,900	6,060	(3,840)
Intergovernmental - State	4,164,284	4,105,585	(58,699)	74,920	71,143	(3,777)
Intergovernmental - Federal				240,973	240,536	(437)
Miscellaneous						
Total Revenues	6,602,884	6,371,449	(231,435)	497,443	461,132	(36,311)
Expenditures:						
Current:						
Instruction:						
Regular	2,978,868	2,799,822	179,046	134,643	97,874	36,769
Special	493,253	478,035	15,218	103,184	89,482	13,702
Vocational	145,780	138,174	7,606			
Other	3,000		3,000			
Support services:						
Pupils	338,733	322,631	16,102	61,766	60,846	920
Instructional Staff	255,645	246,332	9,313	26,350	13,139	13,211
Board of Education	28,024	26,682	1,342			
Administration	689,960	642,642	47,318	53,167	51,380	1,787
Fiscal	263,330	253,145	10,185	700	697	3
Business				1,035	950	85
Operation and Maintenance of Plant	485,038	435,726	49,312	3,050	2,396	654
Pupil Transportation	430,299	381,870	48,429	20,288	13,259	7,029
Central	135,750	131,870	3,880			
Non-Instructional Services						
Extracurricular activities	190,075	175,320	14,755	83,469	78,438	5,031
Capital Outlay	164,226	141,346	22,880	58,690	53,209	5,481
Debt Service						
Principal Retirement	25,100	25,100				
Interest Charges	1,604	1,604				
Total Expenditures	6,628,685	6,200,299	428,386	546,342	461,670	84,672
Excess of Revenues Over (Under) Expenditures	(25,801)	171,150	196,951	(48,899)	(538)	48,361
Other Financing Sources and Uses						
Proceeds from Sale of Fixed Assets	300	1	(299)			
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures	3,300	1,768	(1,532)			
Advances In	50,755	798	(49,957)			
Advances Out	(24,000)	(21,193)	2,807	(799)	(798)	1
Transfers In				45	44	(1)
Transfers Out	(255,000)	(254,363)	637			
Total Other Financing Sources (Uses)	(224,645)	(272,989)	(48,344)	(754)	(754)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(250,446)	(101,839)	148,607	(49,653)	(1,292)	48,361
Fund Balance at Beginning of Year	937,897	937,897		148,466	148,466	
Prior Year Encumbrances Appropriated	30,351	30,351		30,767	30,767	
Fund Balance at end of Year	\$717,802	\$866,409	\$148,607	\$129,580	\$177,941	\$48,361

The notes to the general purpose financial statements are an integral part of this statement.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service			Capital Projects			Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$234,300	\$220,236	(\$14,064)						
			242,500	227,269	(15,231)	440	415	(25)
27,000	25,506	(1,494)	12,369,000	7,241,310	(5,127,690)			
261,300	245,742	(15,558)	12,611,500	7,468,579	(5,142,921)	440	415	(25)
			18,448	5,284	13,164	3,250	1,250	2,000
5,000	5,477	(477)						
			15,000	12,200	2,800			
			2,394,900	1,034,213	1,360,687			
			12,999,843	1,944,908	11,054,935			
252,000	251,544	456						
185,670	185,555	115						
442,670	442,576	94	15,428,191	2,996,605	12,431,586	3,250	1,250	2,000
(181,370)	(196,834)	(15,464)	(2,816,691)	4,471,974	7,288,665	(2,810)	(835)	1,975
4,057	4,056	(1)						
			20,000	20,000				
200,350	164,800	(35,550)	90,000	88,900	(1,100)			
204,407	168,856	(35,551)	110,000	108,900	(1,100)			
23,037	(27,978)	(51,015)	(2,706,691)	4,580,874	7,287,565	(2,810)	(835)	1,975
96,645	96,645		3,627,516	3,627,516		7,124	7,124	
			4,600	4,600				
\$119,682	\$68,667	(\$51,015)	\$925,425	\$8,212,990	\$7,287,565	\$4,314	\$6,289	\$1,975

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>
Operating Revenues:	
Sales	<u>\$224,478</u>
Operating Expenses	
Salaries	110,314
Fringe Benefits	40,974
Purchased Services	7,551
Materials and Supplies	123,467
Depreciation	<u>3,763</u>
Total Operating Expenses	<u>286,069</u>
Operating (Loss)	(61,591)
Non-Operating Revenues	
Interest	3,391
Federal and State Subsidies	<u>61,007</u>
Total Non-Operating Revenues	<u>64,398</u>
Net Income	2,807
Retained Earnings at Beginning of Year	<u>38,987</u>
Retained Earnings at End of Year	41,794
Contributed Capital at Beginning/End of Year	<u>25,070</u>
Total Fund Equity at End of Year	<u><u>\$66,864</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>		Variance: Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Operating Revenues:			
Sales	\$225,000	\$224,470	(\$530)
State Subsidy	2,000	1,814	(186)
Federal Subsidy	<u>45,000</u>	<u>42,917</u>	<u>(2,083)</u>
Total Operating Revenues	<u>272,000</u>	<u>269,201</u>	<u>(2,799)</u>
Operating Expenses			
Salaries	120,300	106,542	13,758
Fringe Benefits	34,350	38,014	(3,664)
Purchased Services	6,300	7,675	(1,375)
Materials and Supplies	118,000	101,738	16,262
Capital Outlay	<u>1,000</u>	<u></u>	<u>1,000</u>
Total Operating Expenses	<u>279,950</u>	<u>253,969</u>	<u>25,981</u>
Operating Income (Loss)	(7,950)	15,232	23,182
Non-Operating Revenues			
Interest	<u>3,500</u>	<u>3,393</u>	<u>(107)</u>
Net Income (Loss)	(4,450)	18,625	23,075
Fund Balances at Beginning of Year	64,763	64,763	
Prior year Encumbrances Appropriated	<u>500</u>	<u>500</u>	
Fund Balances at End of Year	<u><u>\$60,813</u></u>	<u><u>\$83,888</u></u>	<u><u>\$23,075</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>
Increase(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$224,470
Cash Payments to Suppliers for Goods and Service	(101,738)
Cash Payments for Contract Services	(7,675)
Cash Payments for Employee Services	(106,542)
Cash Payments for Employee Benefits	(38,014)
Net Cash Provided (Used) by Operating Activities	(29,499)
Cash Flows from Noncapital Financing Activities:	
Cash from Federal & State Subsidies	44,731
Cash Flows from Investing Activities:	
Interest Received	3,393
Net Increase (Decrease) in Cash and Cash Equivalents	18,625
Cash and Cash Equivalents at Beginning of Year	65,263
Cash and Cash Equivalents at End of Year	<u>\$83,888</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$61,591)
Adjustments to Reconcile Operating (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,763
Donated Commodities Used During the Year	16,274
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(8)
Decrease in Intergovernmental Receivables	5,152
Decrease in Interest Receivables	2
Decrease in Supplies Inventory	743
Decrease in Prepaid Items	134
Increase in Compensated Absences Payable	811
Increase in Intergovernmental Payable	2,826
Decrease in Deferred Revenue	(442)
Increase in Accrued Wages and Benefits	2,961
Decrease in Accounts Payable	(124)
Total Adjustments	32,092
Net Cash Provided (Used) by Operating Activities	<u>(\$29,499)</u>

The notes to the general purpose financial statements are an integral part of this statement.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Triad Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District is located in Champaign County, and includes all of the Villages of North Lewisburg, Mingo, Woodstock and Cable and portions of Zane, Union, Wayne, Rush and Allen Townships. The District is staffed by 40 non-certificated employees, 78 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,073 students and other community members. The District currently operates two instructional buildings and an administrative building.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Triad Local School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

The District is associated with three jointly governed organizations and two insurance purchasing pools. These organizations include the Ohio Hi-Point Joint Vocational District, the Western Ohio Computer Organization, the Metropolitan Educational Council, the Ohio School Boards Association Workers' Compensation Group Rating Program and Champaign, Delaware, Marion and Union Schools Consortium (CDMU). These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, level for the General Fund and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted, however, none of these were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

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 the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

D. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. 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 combined balance sheet.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2001, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$83,245, which includes \$23,740 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, 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.

E. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

F. Inventory

Inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of the enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items. The Proprietary funds record a current asset for the prepaid amount and an expense is reported in the year in which services are consumed. The Governmental funds record an expenditure at the time of purchase, record a current asset for the prepaid amount which is equally offset by a fund balance reserve to indicate they do not represent available spendable resources.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents consisting of Bureau of Workers Compensation refunds in the amount of \$42,472. These rebates were previously part of the budget stabilization reserve and can now only be spent according to the requirements of S.B 345. A fund balance reserve has also been established.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Professional Development
Education Management Information Systems
School Net Professional Development
Ohio Reads
Safe Schools
Title I
Title II
Title VI
Title VI-B
Title VI-R
Drug-Free Schools
Tech Equity
Goals 2000 Proficiency Grant
Raising the Bar

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

School Net
Emergency Building Repair
Classroom Facilities

Reimbursable Grants

General Fund

Vocational Education
School Bus Purchase Program

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately seventy-nine percent of the District's revenue during the fiscal year.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds, long-term loans, and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

O. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for 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 are established for budget stabilization, prepaid items, property taxes, encumbrances, and debt service principal.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents the set aside required for Bureau of Workers Compensation refunds.

P. Use of Estimates

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

Q. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned Total- (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/fund equity 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental and Similar Fiduciary Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) -Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental and similar fiduciary fund types (GAAP basis)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds					
	Governmental Fund Types				Expendable Trust
	General	Special Revenue	Debt Service	Capital Projects	
Budget Basis	(\$ 101,839)	(\$1,292)	(\$27,978)	\$4,580,874	(\$835)
Adjustments:					
Revenue Accruals	39,907	(1,365)	5,422	(19,847)	(34)
Expenditure Accruals	(48,798)	13,859	1	636,872	
Interfund Transactions	19,245	798	(4,056)	(20,000)	
GAAP Basis	<u>(\$91,485)</u>	<u>\$12,000</u>	<u>(\$26,611)</u>	<u>\$5,217,593</u>	<u>(\$869)</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Proprietary Fund Type Net Income(Loss)	Enterprise Fund
Budget Basis		\$18,625
Adjustments (Net):		
Revenue Accruals		16,282
Expenditure Accruals		<u>(32,100)</u>
GAAP Basis		<u>\$ 2,807</u>

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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 services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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 qualified trustee, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$4,731,030 and the bank balance was \$4,857,669. Of the bank balance \$200,000 was covered by federal depository insurance and \$4,657,669 was uninsured and uncollateralized.

Investments: The District's investments to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the State of Ohio Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents Deposits</u>	<u>Investments</u>
GASB Statement 9	\$10,726,499	\$
STAR Ohio	<u>(5,995,469)</u>	<u>5,995,469</u>
GASB Statement 3	<u>\$ 4,731,030</u>	<u>\$ 5,995,469</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

The School District receives property taxes from Champaign, Union, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$133,507 in the General Fund and \$24,718 in the Debt Service fund. The amount available as an advance at June 30, 2000, was \$113,313 in the General Fund and \$22,874 in the Bond Retirement debt service fund.

The assessed values upon which calendar year 2001 taxes are being collected are:

	2000 Second Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$53,329,160	83.29%	\$54,970,860	84.59%
Commercial	3,768,720	5.89	3,939,320	6.06
Public Utility	4,159,600	6.50	5,358,101	8.24
Tangible Personal	2,767,882	4.32	718,675	1.11
Total Assessed Value	<u>\$64,025,362</u>	<u>100.00%</u>	<u>\$64,986,956</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.90		\$36.46	

7. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Open Enrollment	\$4,089
Special Revenue Fund:	
Drug Free Schools	437
Capital Projects Fund:	
Classroom Facilities	5,761,467
Total Intergovernmental Receivables	\$5,765,993

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$87,321
Less: Accumulated Depreciation	(52,887)
Net Fixed Assets	\$34,434

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$ 427,363	\$ 1,304		\$ 428,667
Buildings and Improvements	1,845,108	55,374	8,045	1,892,437
Furniture, Fixtures and Equipment	1,250,581	97,803	12,557	1,335,827
Vehicles	747,326	107,089		854,415
Construction in Progress		1,967,319		1,967,319
Total General Fixed Assets	\$4,270,378	\$2,228,889	\$20,602	\$6,478,665

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement benefits 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 State statute per 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by statute. The adequacy of the contribution rate is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$37,811, \$43,772, and \$38,531, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits and disability, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, \$304,059, \$182,393, and \$166,969, respectively equal to the required contributions for each year.

11. 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 School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 3, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$88,225 for fiscal year 2001.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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 at June 30, 2000, were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the board allocated employer contributions equal to 4.5 percent; of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$144,028.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Funds was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

12. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Long-Term Obligations:				
Long-Term Bonds and Loans:				
Elementary Addition Bonds				
1976 6.25%	\$ 40,000	\$0	\$40,000	\$ 0
Energy Conservation Note				
1991 6.39%	25,100	0	25,100	0
Modular Construction Loan				
1998 5.25%	75,589	0	23,919	51,670
Modular Construction Loan				
1999 4.85%	97,312	0	22,628	74,684
Land Loan				
1999 4.50%	204,496	0	99,998	104,498
School Facilities Construction Bonds				
2000 5.67%	3,193,985	0	65,000	3,128,985
Total Long-Term Bonds and Loans	3,636,482	0	276,645	3,359,837
Other Long-Term Obligations:				
Capital Leases Payable	58,503	0	22,357	36,146
Compensated Absences	369,239	22,117	0	391,356
Total Other Long-Term Obligations	427,742	22,117	22,357	427,742
Total General Long-Term Obligations	\$4,064,224	\$22,117	\$299,002	\$3,787,339

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Elementary School Addition Bonds - On August 1, 1976, Triad Local District issued \$922,000 in voted general obligation bonds for the purpose of an addition and improvement to the elementary school. The bonds were issued with a final maturity of December 1, 2000. The bonds were retired from the debt service fund.

Energy Conservation Loan Notes - On August 1, 1991, Triad Local District issued \$250,795 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a 10 year period with final maturity during fiscal year 2001. The loan was retired from the general fund.

Modular Construction Loan - On March 25, 1998, the District entered into a bank loan in the amount of \$119,906 for the purpose of purchasing and constructing a modular classroom. The loan was issued for a 5 year period with final maturity during fiscal year 2003. The loan will be retired from the general fund.

Modular Construction Loan - On May 15, 1999, the District entered into a bank loan in the amount of \$118,893 for the purpose of purchasing and constructing two modular classrooms. The loan was issued for a 5 year period with final maturity during fiscal year 2004. The loan will be retired from the general fund.

School Facilities Construction Bonds – On March 23, 2000, the District issued \$3,193,985 in voted general obligation bonds for the purpose of building a new school. The bonds were issued with a final maturity of December 1, 2022. The bonds will be retired from the debt service fund.

Land Loan - In 1999 the District borrowed \$300,000 to purchase land. This loan is for a period of three years and will mature in 2002.

The capital lease obligation will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

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 assessed valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted legal debt margin of \$2,585,954 and an unvoted debt margin of \$64,987.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	General Obligation Bonds	Construction Loans	Land Loan	Total
2002	\$ 243,383	\$ 55,234	\$109,200	\$ 407,817
2003	254,474	55,234	0	309,708
2004	254,890	27,348	0	282,238
2005	254,969			254,969
2006	254,700			254,700
2007-2011	1,290,750			1,290,750
2012-2016	1,270,354			1,270,354
2017-2021	1,264,081			1,264,081
2022-2023	503,169			503,169
Total	<u>\$5,590,770</u>	<u>\$137,816</u>	<u>\$109,200</u>	<u>\$5,837,786</u>

13. CAPITAL LEASES

In prior years the District entered into a lease agreement for copiers. The terms of the lease provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$108,877, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group.

Fiscal Year Ending June 30,	Amount
2002	25,259
2003	12,628
Total minimum lease payments	37,887
Less interest:	(1,741)
Present value of minimum lease payments	<u>\$36,146</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

14. ENTERPRISE FUND SEGMENT INFORMATION

The District maintains two enterprise funds to account for the operations of lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Triad Local District as of and for the fiscal year ended June 30, 2001.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$222,741	\$1,737	\$224,478
Depreciation Expense	3,763	0	3,763
Operating Income (Loss)	(63,328)	1,737	(61,591)
Federal and State Subsidies	61,007	0	61,007
Contributed Capital	25,070	0	25,070
Net Income(Loss)	1,070	1,737	2,807
Fixed Assets:			
Fixed Asset Additions	0	0	0
Net Working Capital	29,264	3,166	32,430
Total Assets	119,651	3,166	122,817
Total Equity	63,698	3,166	66,864

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$11,853,200
Inland Marine Coverage (\$100 deductible)	7,126
Boiler and Machinery (\$1,000 deductible)	5,191,300
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$100 deductible)	250,000
Data Processing (\$100 deductible)	61,210
General Liability	
Per occurrence	1,000,000
Total per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

15. RISK MANAGEMENT (Continued)

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 18). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

The School District participates in the Champaign, Delaware, Marion, and Union Schools Consortium (CDMU), a self-insurance medical plan for ten (10) school districts, educational service centers and Board of Education. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

16. JOINTLY GOVERNED ORGANIZATIONS

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

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the Shelby County Educational Service Center, the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

Metropolitan Educational Council (MEC) -The MEC is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

17. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program'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 program. Each year, the participating Districts pay an enrollment fee to the Program to cover the costs of administering the program.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU) - CDMU sponsors self-insured medical plans for ten (10) school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion, and Union Counties. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

18. SET-ASIDE CALCULATIONS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization, which was eliminated by S.B. 345, during fiscal year 2001.

	<u>Textbook</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$0	\$0	\$113,703
Current Year Set Aside Requirement	140,781	140,781	
Workers' Compensation	0	0	14,903
Transferred to the General Fund (per S.B. 345)			(86,134)
Current Year Offsets			(79,281)
Qualifying Expenditures	<u>(165,051)</u>	<u>(146,835)</u>	<u>0</u>
Amount Carried Forward to Future Fiscal Years	<u><u>(\$24,270)</u></u>	<u><u>(\$6,054)</u></u>	<u><u>\$42,472</u></u>

The balance carried forward for budget stabilization represents the refunds from the Bureau of Workers Compensation. The use of these refunds is restricted by S.B. 345.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

19. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

20. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- a. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- b. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$22,336		\$22,777
National School Lunch Program	10.555	04-PU	49,917		49,917	
Total U.S. Department of Agriculture - Nutrition Cluster			49,917	22,336	49,917	22,777
U.S. Department of Education						
<i>(Passed through Ohio Department of Education)</i>						
Title I, Part A, ESEA	84.010	C1-S1	97,721		91,803	
Special Education Grants to States	84.027	6B-SF	56,459		56,459	
Safe and Drug Free Schools	84.186	DR-S1	3,932		5,554	
Goals 2000	84.276	G2-S1	56,598		21,760	
Eisenhower Professional Development State Grants, Title	84.281	MS-S1	3,778		2,591	
Innovative Education Program Strategies	84.298	C2-S1	5,214		5,594	
Tech Literacy Challenge Fund Grant	84.318	TF-34			66,045	
Class Size Reduction	84.340	CR-S1	16,834		19,681	
Total U.S. Department of Education			240,536		269,487	
Total Federal Financial Assistance			\$290,453	\$22,336	\$319,404	\$22,777

The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B -- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the Triad Local School District (the District), Champaign County, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a 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 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 2, 2001.

Triad Local School District
Champaign County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and 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.

Jim Petro
Auditor of State

November 2, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Triad Local School District (the District), Champaign County, 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 each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred 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 the 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 the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the 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 the 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.

**Internal Control Over Compliance
(Continued)**

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 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 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 operations that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 2, 2001.

This report is intended for the information and use of the audit committee, management, Board of Education, and 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.

Jim Petro
Auditor of State

November 2, 2001

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2001**

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 material 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 Programs (list):	Technology Literacy Challenge Fund Grants - CFDA 84.318 Nutrition Cluster - CFDA 10.550 and 10.555 Title 1, Part A, ESEA - CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

TRIAD LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2001**