

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

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

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003*

**SUE A. KRUSE, TREASURER**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Triway Local School District, Wayne County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 16, 2004

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

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor’s Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, (the “District”), as of and for the fiscal year ended June 30, 2003, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Triway Local School District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District, Wayne County, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, the District had a change in accounting principle for its threshold for fixed assets as disclosed in Note 2.H.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Triway Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004 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.

Our audit was performed for the purpose of forming an opinion on the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Trimble, Julian & Grube, Inc.  
January 16, 2004



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The discussion and analysis of the Triway Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities increased \$51,521 which represents a 2.52% increase from 2002.
- General revenues accounted for \$14,477,194 in revenue or 87.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,980,604 or 12.03% of total revenues of \$16,457,798.
- The District had \$16,406,277 in expenses related to governmental activities; only \$1,980,604 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,477,194 were adequate to provide for these programs.
- The District's two major governmental funds are the general fund and permanent improvement fund. The general fund had \$13,963,155 in revenues and other financing sources and \$13,895,357 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance increased \$67,122 from \$982,826 to \$1,049,948.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$620,547 in revenues and \$665,968 in expenditures and other financing uses. During fiscal 2003, the permanent improvement fund's fund balance decreased \$45,421 from \$534,862 to \$489,441.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	<b>Net Assets</b>
	Governmental Activities 2003
<b><u>Assets</u></b>	
Current and other assets	\$ 9,452,041
Capital assets	3,680,357
Total assets	13,132,398
<b><u>Liabilities</u></b>	
Current liabilities	7,482,407
Long-term liabilities	3,550,677
Total liabilities	11,033,084
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	1,174,113
Restricted	50,832
Unrestricted	874,369
Total net assets	\$ 2,099,314

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$2,099,314.

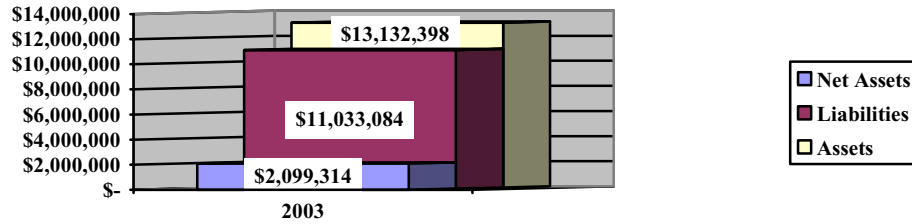
At year-end, capital assets represented 28.03% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2003, was \$1,174,113. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$50,832, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$874,369 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2003
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 934,014
Operating grants and contributions	1,046,590
General revenues:	
Property taxes	5,366,538
Grants and entitlements	8,988,682
Investment earnings	40,839
Other	81,135
Total revenues	16,457,798

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Change in Net Assets**

	Governmental Activities <u>2003</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 7,092,287
Special	1,368,662
Vocational	368,950
Other	115,390
Support services:	
Pupil	438,512
Instructional staff	744,911
Board of education	30,333
Administration	1,277,979
Fiscal	317,695
Business	52,099
Operations and maintenance	1,305,911
Pupil transportation	1,200,434
Central	295,428
Operations of non-instructional services	197,388
Food service operations	714,825
Extracurricular activities	723,163
Interest and fiscal charges	<u>162,310</u>
Total expenses	<u>16,406,277</u>
Increase in net assets	<u>\$ 51,521</u>

**Governmental Activities**

The net assets of the District's governmental activities increased by \$51,521. Total governmental expenses of \$16,406,277 were offset by program revenues of \$1,980,604 and general revenues of \$14,477,194. Program revenues supported 12.07% of the total governmental expenses.

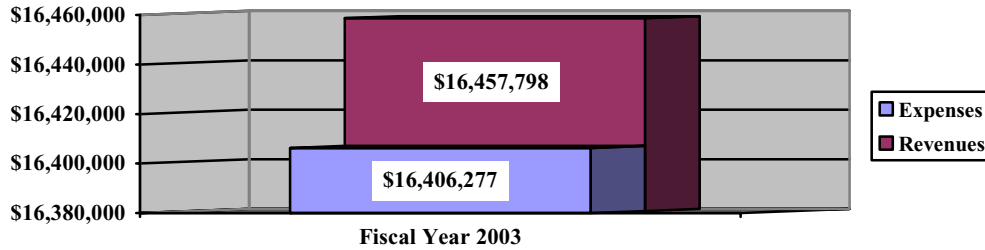
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 87.22% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities**

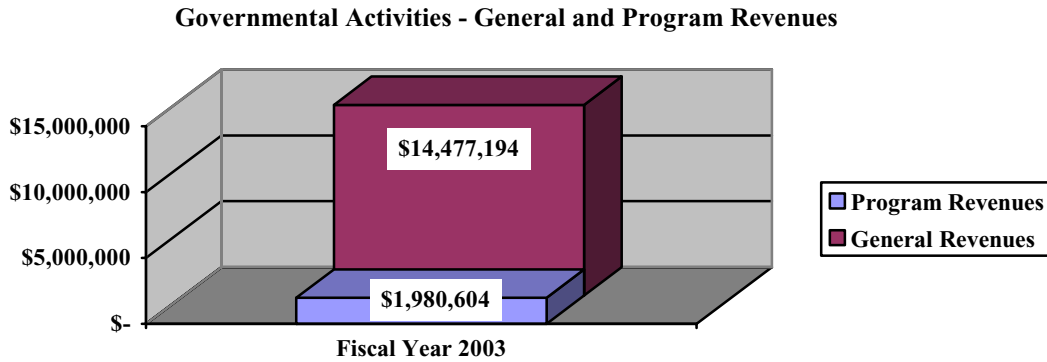
	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>		
Instruction:		
Regular	\$ 7,092,287	\$ 6,911,039
Special	1,368,662	1,203,606
Vocational	368,950	368,950
Other	115,390	115,390
Support services:		
Pupil	438,512	419,741
Instructional staff	744,911	481,362
Board of education	30,333	30,333
Administration	1,277,979	1,206,374
Fiscal	317,695	317,695
Business	52,099	52,099
Operations and maintenance	1,305,911	1,286,017
Pupil transportation	1,200,434	1,200,434
Central	295,428	270,099
Operations of non-instructional services	197,388	610
Food service operations	714,825	30,776
Extracurricular activities	723,163	368,838
Interest and fiscal charges	162,310	162,310
<b>Total expenses</b>	<u>\$ 16,406,277</u>	<u>\$ 14,425,673</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The dependence upon tax and other general revenues for governmental activities is apparent, 96.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.24%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,768,326, which is lower than last year's total of \$1,796,432. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Restated Fund Balance <u>June 30, 2002</u>	Increase <u>(Decrease)</u>
General	\$ 1,049,948	\$ 982,826	\$ 67,122
Permanent improvement	489,441	534,862	(45,421)
Other Governmental	<u>228,937</u>	<u>278,744</u>	<u>(49,807)</u>
Total	<u>\$ 1,768,326</u>	<u>\$ 1,796,432</u>	<u>\$ (28,106)</u>

**General Fund**

The District's general fund, fund balance increased by \$67,122 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The increase in fund balance can be attributed to property tax increases. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,828,370	\$ 4,701,186	2.71%
Tuition	12,509	5,344	134.08%
Earnings on investments	40,048	73,168	(45.27)%
Intergovernmental	8,785,861	8,892,161	(1.20)%
Other revenues	<u>293,367</u>	<u>93,765</u>	212.87%
Total	<u>\$ 13,960,155</u>	<u>\$ 13,765,624</u>	1.41%
<b><u>Expenditures</u></b>			
Instruction	\$ 8,621,308	\$ 8,640,368	(0.22)%
Support services	4,876,763	4,849,947	0.55%
Extracurricular activities	<u>328,999</u>	<u>319,930</u>	2.83%
Total	<u>\$ 13,827,070</u>	<u>\$ 13,810,245</u>	0.12%

***Permanent Improvement Fund***

The District's permanent improvement fund, fund balance decreased by \$45,421. The decrease in fund balance can be attributed to transfers out to other governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the permanent improvement fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 558,709	\$ 593,441	(5.85) %
Earnings on investments	-	11,589	(100.00) %
Intergovernmental	<u>61,838</u>	<u>71,627</u>	(13.67) %
Total	<u>\$ 620,547</u>	<u>\$ 676,657</u>	(8.29) %
<b><u>Expenditures</u></b>			
Instruction	\$ 225	\$ 22,192	(98.99) %
Support services	124,368	10,926	1,038.28 %
Facilities acquisition and construction	220,316	1,588,954	(86.13) %
Debt service	<u>-</u>	<u>153,957</u>	(100.00) %
Total	<u>\$ 344,909</u>	<u>\$ 1,776,029</u>	(80.58) %



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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***General Fund Budgeting Highlights***

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

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$14,080,534, which was decreased from the original budgeted revenues estimate of \$14,615,617. Actual revenues and other financing sources for fiscal 2003 was \$14,166,057. This represents a \$85,523 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,737,787 were decreased to \$14,653,124 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$13,803,466, which was \$849,658 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the District had \$3,680,357 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 75,083	\$ 75,083
Land improvements	87,834	101,656
Building and improvements	2,933,506	2,902,100
Furniture and equipment	321,066	371,824
Vehicles	<u>262,868</u>	<u>362,447</u>
Total	<u>\$ 3,680,357</u>	<u>\$ 3,813,110</u>

Total additions to capital assets for 2003 were \$187,548 and total disposals were \$55,552. The overall decrease in capital assets of \$132,753 is primarily due to the recording of \$288,720 in depreciation expense for fiscal 2003.

***Debt Administration***

At June 30, 2003, the District had \$2,506,244 in energy conservation notes and tax anticipation notes outstanding. Of this total, \$245,470 is due within one year and \$2,260,774 is due within greater than one year. The following table summarizes the notes outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Outstanding Debt, at Year End**

	Governmental Activities 2003	Governmental Activities 2002
Energy conservation notes	\$ 453,114	\$ 487,216
Tax anticipation notes	2,053,130	2,251,507
Total	\$ 2,506,244	\$ 2,738,723

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

The tax anticipation notes were received in fiscal 2001. These notes are scheduled to mature in fiscal year 2011 and bear an interest rate of 5.70%. Payment of principal and interest on the tax anticipation note is being made from the debt service fund, funded by transfers from the permanent improvement fund.

**Current Financial Related Activities**

Despite careful spending, the Board is considering placing a levy on the November 2004 ballot. The five year forecast shows expenditures outpacing revenues and a deficit of \$1.6 million is predicted at the end of fiscal year 2006. The size and type of levy are unknown at this time. Past experience has shown Triway's voters support sensible levies. The Board feels presenting practical goals will garner the support of the voters.

Since the buildings are in good working condition, textbooks, technology and staffing are a few of the major issues the Board has agreed to address. All three components are costly, yet critical elements in the success of Triway schools. All are driven by enrollment, state funding (or lack thereof) and No Child Left Behind (NCLB) requirements.

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

Meanwhile, as the Board attempts to fulfill unfunded mandates set by NCLB, state funding is being reduced through various legislative mechanisms. The phase-out of inventory taxes is being accelerated. The \$10,000 exemption reimbursement is also phased-out, even though the exemption still exists. Administrative fees are taking a bite out of rollback and homestead reimbursements. State monies are being funneled to for-profit community schools without financial or educational accountability. These losses translate into real dollars for Triway to recoup.

**Contacting the District's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2003

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 3,271,785
Receivables:	
Taxes . . . . .	5,997,003
Accounts . . . . .	23,336
Intergovernmental . . . . .	90,719
Materials and supplies inventory . . . . .	48,519
Prepayments . . . . .	20,679
Capital assets:	
Land . . . . .	75,083
Depreciable capital assets, net . . . . .	3,605,274
Capital assets, net. . . . .	3,680,357
 Total assets. . . . .	 13,132,398
 <b>Liabilities:</b>	
Accounts payable. . . . .	12,056
Contracts payable. . . . .	32,876
Accrued wages and benefits . . . . .	1,414,093
Pension obligation payable. . . . .	395,295
Intergovernmental payable . . . . .	35,520
Deferred revenue . . . . .	5,533,516
Accrued interest payable . . . . .	39,461
Claims payable . . . . .	19,590
Long-term liabilities:	
Due within one year. . . . .	377,057
Due within more than one year . . . . .	3,173,620
 Total liabilities . . . . .	 11,033,084
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,174,113
Restricted for:	
Other purposes . . . . .	50,832
Unrestricted. . . . .	874,369
 Total net assets . . . . .	 \$ 2,099,314

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,092,287	\$ 77,777	\$ 103,471	\$ (6,911,039)
Special . . . . .	1,368,662	-	165,056	(1,203,606)
Vocational . . . . .	368,950	-	-	(368,950)
Other . . . . .	115,390	-	-	(115,390)
Support services:				
Pupil . . . . .	438,512	1,358	17,413	(419,741)
Instructional staff . . . . .	744,911	-	263,549	(481,362)
Board of education . . . . .	30,333	-	-	(30,333)
Administration. . . . .	1,277,979	69,642	1,963	(1,206,374)
Fiscal. . . . .	317,695	-	-	(317,695)
Business. . . . .	52,099	-	-	(52,099)
Operations and maintenance . . . . .	1,305,911	19,894	-	(1,286,017)
Pupil transportation . . . . .	1,200,434	-	-	(1,200,434)
Central . . . . .	295,428	-	25,329	(270,099)
Operation of non-instructional services:				
Food service operations . . . . .	714,825	411,018	273,031	(30,776)
Other non-instructional services . . . . .	197,388	-	196,778	(610)
Extracurricular activities. . . . .	723,163	354,325	-	(368,838)
Interest and fiscal charges . . . . .	162,310	-	-	(162,310)
Total governmental activities . . . . .	\$ 16,406,277	\$ 934,014	\$ 1,046,590	(14,425,673)
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,812,307
Capital projects . . . . .				554,231
Grants and entitlements not restricted to specific programs . . . . .				8,988,682
Investment earnings . . . . .				40,839
Miscellaneous . . . . .				81,135
Total general revenues . . . . .				14,477,194
Change in net assets . . . . .				51,521
Net assets at beginning of year . . . . .				2,047,793
Net assets at end of year . . . . .				\$ 2,099,314

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,358,142	\$ 487,008	\$ 221,427	\$ 3,066,577
Receivables:				
Taxes . . . . .	5,420,140	576,863	-	5,997,003
Accounts . . . . .	23,160	-	176	23,336
Intergovernmental . . . . .	70,813	-	19,906	90,719
Materials and supplies inventory . . . . .	15,911	-	32,608	48,519
Prepayments . . . . .	20,679	-	-	20,679
Total assets . . . . .	<u>\$ 7,908,845</u>	<u>\$ 1,063,871</u>	<u>\$ 274,117</u>	<u>\$ 9,246,833</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 11,894	\$ -	\$ 162	\$ 12,056
Contracts payable . . . . .	-	32,876	-	32,876
Accrued wages and benefits . . . . .	1,375,162	-	38,931	1,414,093
Compensated absences payable . . . . .	75,147	-	-	75,147
Pension obligation payable . . . . .	245,514	-	4,182	249,696
Intergovernmental payable . . . . .	33,615	-	1,905	35,520
Deferred revenue . . . . .	<u>5,117,565</u>	<u>541,554</u>	<u>-</u>	<u>5,659,119</u>
Total liabilities . . . . .	<u>6,858,897</u>	<u>574,430</u>	<u>45,180</u>	<u>7,478,507</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	22,586	39,686	56,662	118,934
Reserved for materials and supplies inventory . . . . .	15,911	-	32,608	48,519
Reserved for tax revenue unavailable for appropriation . . . . .	302,575	35,309	-	337,884
Reserved for prepayments . . . . .	20,679	-	-	20,679
Unreserved, undesignated reported in:				
General fund . . . . .	688,197	-	-	688,197
Special revenue funds . . . . .	-	-	139,314	139,314
Capital projects funds . . . . .	-	414,446	353	414,799
Total fund balances . . . . .	<u>1,049,948</u>	<u>489,441</u>	<u>228,937</u>	<u>1,768,326</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,908,845</u>	<u>\$ 1,063,871</u>	<u>\$ 274,117</u>	<u>\$ 9,246,833</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

<b>Total governmental fund balances</b>		\$ 1,768,326
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,680,357
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 125,603	
Total		125,603
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		185,618
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	969,286	
Pension obligation payable	145,599	
Energy conservation notes	453,114	
Tax anticipation notes	2,053,130	
Accrued interest payable	39,461	
Total		(3,660,590)
<b>Net assets of governmental activities</b>		<u>\$ 2,099,314</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,828,370	\$ 558,709	\$ -	\$ 5,387,079
Tuition. . . . .	12,509	-	-	12,509
Charges for services. . . . .	-	-	411,018	411,018
Earnings on investments. . . . .	40,048	-	791	40,839
Extracurricular. . . . .	-	-	354,325	354,325
Other local revenues. . . . .	160,314	-	76,983	237,297
Other revenues. . . . .	133,053	-	-	133,053
Intergovernmental - State . . . . .	8,785,861	61,838	248,430	9,096,129
Intergovernmental - Federal. . . . .	-	-	844,260	844,260
Total revenues . . . . .	<u>13,960,155</u>	<u>620,547</u>	<u>1,935,807</u>	<u>16,516,509</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,951,916	225	168,516	7,120,657
Special. . . . .	1,188,130	-	164,832	1,352,962
Vocational. . . . .	365,872	-	-	365,872
Other . . . . .	115,390	-	-	115,390
Support services:				
Pupil. . . . .	419,832	-	18,079	437,911
Instructional staff . . . . .	400,007	-	319,363	719,370
Board of education . . . . .	30,333	-	-	30,333
Administration. . . . .	1,179,263	-	65,276	1,244,539
Fiscal . . . . .	304,419	10,176	-	314,595
Business . . . . .	52,099	-	-	52,099
Operations and maintenance. . . . .	1,254,186	-	-	1,254,186
Pupil transportation . . . . .	957,826	114,192	-	1,072,018
Central. . . . .	278,798	-	25,104	303,902
Operation of non-instructional services:				
Food service operations . . . . .	-	-	664,514	664,514
Other non-instructional services . . . . .	-	-	196,778	196,778
Extracurricular activities. . . . .	328,999	-	372,071	701,070
Facilities acquisition and construction . . . . .	-	220,316	-	220,316
Debt service:				
Principal retirement . . . . .	-	-	232,479	232,479
Interest and fiscal charges . . . . .	-	-	146,867	146,867
Total expenditures . . . . .	<u>13,827,070</u>	<u>344,909</u>	<u>2,373,879</u>	<u>16,545,858</u>
Excess of revenues over/(under) expenditures. . . . .	<u>133,085</u>	<u>275,638</u>	<u>(438,072)</u>	<u>(29,349)</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	389,346	389,346
Transfers out . . . . .	(68,287)	(321,059)	-	(389,346)
Proceeds from sale of capital assets. . . . .	3,000	-	-	3,000
Total other financing sources (uses) . . . . .	<u>(65,287)</u>	<u>(321,059)</u>	<u>389,346</u>	<u>3,000</u>
Net change in fund balances . . . . .	67,798	(45,421)	(48,726)	(26,349)
<b>Fund balances at beginning of year (restated). . . . .</b>				
	982,826	534,862	278,744	1,796,432
<b>Decrease in reserve for inventory . . . . .</b>	<u>(676)</u>	<u>-</u>	<u>(1,081)</u>	<u>(1,757)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,049,948</u>	<u>\$ 489,441</u>	<u>\$ 228,937</u>	<u>\$ 1,768,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<b>Net change in fund balances - total governmental funds</b>	\$	(26,349)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		(101,172)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(1,757)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets.		(31,581)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(83,865)
Repayment of bonds, notes and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		232,479
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(15,443)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		95,970
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(16,761)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>51,521</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,201,926	\$ 5,041,920	\$ 5,041,920	\$ -
Tuition. . . . .	12,906	12,509	12,509	-
Earnings on investments. . . . .	42,135	39,000	40,048	1,048
Other local revenues. . . . .	134,397	128,109	131,054	2,945
Other revenue. . . . .	139,417	135,000	135,129	129
Intergovernmental - State . . . . .	9,064,680	8,705,184	8,785,861	80,677
Total revenues . . . . .	<u>14,595,461</u>	<u>14,061,722</u>	<u>14,146,521</u>	<u>84,799</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,342,430	7,488,000	6,874,741	613,259
Special. . . . .	1,268,185	1,216,578	1,188,165	28,413
Vocational. . . . .	387,441	375,050	362,994	12,056
Other . . . . .	122,672	115,925	114,932	993
Support Services:				
Pupil. . . . .	453,488	438,348	424,874	13,474
Instructional staff . . . . .	402,124	400,020	376,751	23,269
Board of education . . . . .	30,224	32,347	28,317	4,030
Administration. . . . .	1,247,375	1,189,199	1,168,668	20,531
Fiscal . . . . .	324,399	307,115	303,930	3,185
Business . . . . .	55,608	61,994	52,099	9,895
Operations and maintenance. . . . .	1,345,133	1,315,779	1,260,258	55,521
Pupil transportation . . . . .	1,033,328	1,007,441	968,127	39,314
Central. . . . .	294,006	297,707	275,455	22,252
Extracurricular activities. . . . .	353,151	334,334	330,868	3,466
Total expenditures . . . . .	<u>14,659,564</u>	<u>14,579,837</u>	<u>13,730,179</u>	<u>849,658</u>
Excess of revenues over (under) expenditures. . . . .	<u>(64,103)</u>	<u>(518,115)</u>	<u>416,342</u>	<u>934,457</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	17,061	15,812	16,536	724
Refund of prior year receipts . . . . .	(5,337)	(5,000)	(5,000)	-
Transfers (out) . . . . .	(72,886)	(68,287)	(68,287)	-
Proceeds from sale of fixed assets . . . . .	3,095	3,000	3,000	-
Total other financing sources (uses) . . . . .	<u>(58,067)</u>	<u>(54,475)</u>	<u>(53,751)</u>	<u>724</u>
Net change in fund balance . . . . .	(122,170)	(572,590)	362,591	935,181
<b>Fund balance at beginning of year . . . . .</b>	1,881,135	1,881,135	1,881,135	-
<b>Prior year encumbrances appropriated . . . . .</b>	84,663	84,663	84,663	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,843,628</u>	<u>\$ 1,393,208</u>	<u>\$ 2,328,389</u>	<u>\$ 935,181</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 205,208
Total assets . . . . .	<u>205,208</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>19,590</u>
Total liabilities . . . . .	<u>19,590</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>185,618</u>
Total net assets . . . . .	<u><u>\$ 185,618</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 125,022
Total operating revenues . . . . .	<u>125,022</u>
 <b>Operating expenses:</b>	
Claims and administrative services . . . . .	141,783
Total operating expenses . . . . .	<u>141,783</u>
 Operating loss. . . . .	<u>(16,761)</u>
 Change in net assets. . . . .	(16,761)
 <b>Net assets at beginning of year . . . . .</b>	<u>202,379</u>
 <b>Net assets at end of year . . . . .</b>	<u><u>\$ 185,618</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 142,501
Cash payments for claims and administrative services.	<u>(137,364)</u>
Net cash provided by operating activities . . . . .	<u>5,137</u>
Net increase in cash and cash equivalents . . . . .	5,137
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>200,071</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 205,208</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (16,761)
Changes in assets and liabilities:	
Decrease in due from other funds . . . . .	17,479
Decrease in accounts payable . . . . .	(1,201)
Increase in claims payable . . . . .	<u>5,620</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 5,137</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2003

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	37,352
Receivables:		
Accounts. . . . .		<u>667</u>
Total assets . . . . .	\$	<u><u>38,019</u></u>
<b>Liabilities:</b>		
Accounts payable . . . . .	\$	22
Deposits held and due to others. . . . .		8,535
Due to students . . . . .		<u>29,462</u>
Total liabilities . . . . .	\$	<u><u>38,019</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The Triway Local School District (the "District") is located in Wayne County, including all of the Village of Shreve, and portions of Clinton, Franklin, Wooster, and Plain Townships. The District serves an area of approximately 95 square miles.

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

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 100 non-certified and 148 (including administrative) certified full-time and part-time employees to provide services to approximately 2,147 students in grades K through 12 and various community groups, which ranks it 265th out of approximately 740 public and community school districts in Ohio.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations; 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Midland Council of Governments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Ashland County - West Holmes Career Center

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**F. Cash and Investments**

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

During fiscal year 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$40,048, which includes \$11,340 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District increased its capitalization threshold from \$500 to \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2003, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

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

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

**K. Fund Balance Reserves**

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

**L. Operating Revenues and Expenses**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparisons for the general fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.



**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

In the previous year, the District recorded the tax anticipation note and the accrued interest payable for the note, as a fund liability in the Permanent Improvement fund. In accordance with GASB Statement No. 34, this liability is presented on the full accrual government-wide statements and should no longer be presented in the Permanent Improvement fund. The Permanent Improvement fund will be restated to reflect this change.

The fund reclassifications, the implementation of GASB Interpretation No. 6, and the removal of tax anticipation notes and accrued interest payable as a fund liability had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance (deficit) June 30, 2002	\$ 1,088,919	\$ (1,738,034)	\$ 187,514	\$ (461,601)
Fund reclassifications	-	-	91,230	91,230
Implementation of GASB Interpretation No. 6	(106,093)	-	-	(106,093)
Tax anticipation note and accrued interest no longer presented as a fund liability	<u>-</u>	<u>2,272,896</u>	<u>-</u>	<u>2,272,896</u>
Adjusted fund balance June 30, 2003	<u>\$ 982,826</u>	<u>\$ 534,862</u>	<u>\$ 278,744</u>	<u>\$1,796,432</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance (deficit), June 30, 2002	\$ 1,796,432
GASB 34 adjustments:	
Long-term (deferred) assets	209,468
Capital assets	3,813,110
Accrued interest payable	(24,018)
Long-term liabilities	(3,949,578)
Internal service fund	<u>202,379</u>
Governmental activities net assets, June 30, 2002	<u>\$ 2,047,793</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Title VI	\$ 48
Improving Teacher Quality	230

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

Inactive deposits are public deposits 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on hand:* At fiscal year-end, the District had \$4,000 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Investments".

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$202,058 and the bank balance was \$296,089.

1. \$215,849 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$80,240 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	\$ 3,103,079	\$ 3,103,079
Total investments	<u>\$ 3,103,079</u>	<u>\$ 3,103,079</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,309,137	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(3,103,079)	3,103,079
Cash on hand	<u>(4,000)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 202,058</u>	<u>\$ 3,103,079</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 68,287
Permanent Improvement Fund	<u>321,059</u>
Total	<u>\$ 389,346</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The amount available as an advance at June 30, 2003 was \$302,575 in the general fund and \$35,309 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2002 was \$530,098 in the general fund and \$66,295 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 166,460,370	81.59	\$ 193,802,720	85.92
Public utility personal	12,092,550	5.93	10,319,130	4.58
Tangible personal property	<u>25,471,148</u>	<u>12.48</u>	<u>21,426,310</u>	<u>9.50</u>
<b>Total</b>	<u>\$ 204,024,068</u>	<u>100.00</u>	<u>\$ 225,548,160</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 45.20		 \$ 44.20	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Property taxes	\$ 5,997,003
Accounts	23,336
Intergovernmental	<u>90,719</u>
 Total	 <u>\$ 6,111,058</u>

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy and fund reclassification. See Note 2.H. for detail:

	<u>Balance</u> <u>6/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/02</u>
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 75,083	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	335,971	508,997	844,968
Buildings and improvements	6,781,371	(24,496)	6,756,875
Furniture and equipment	1,439,398	(548,934)	890,464
Vehicles	1,310,204	-	1,310,204
Textbooks	<u>829,183</u>	<u>(829,183)</u>	<u>-</u>
Total capital assets, being depreciated	<u>10,696,127</u>	<u>(893,616)</u>	<u>9,802,511</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(6,064,484)</u>	<u>(6,064,484)</u>
Governmental activities capital assets, net	<u>\$ 10,771,210</u>	<u>\$ (6,958,100)</u>	<u>\$ 3,813,110</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/03</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,083	\$ -	\$ -	\$ 75,083
Total capital assets, not being depreciated	<u>75,083</u>	<u>-</u>	<u>-</u>	<u>75,083</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	844,968	-	-	844,968
Buildings and improvements	6,756,875	147,120	-	6,903,995
Furniture and equipment	890,464	40,428	(55,552)	875,340
Vehicles	<u>1,310,204</u>	<u>-</u>	<u>-</u>	<u>1,310,204</u>
Total capital assets, being depreciated	<u>9,802,511</u>	<u>187,548</u>	<u>(55,552)</u>	<u>9,934,507</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(743,312)	(13,822)	-	(757,134)
Buildings and improvements	(3,854,775)	(115,714)	-	(3,970,489)
Furniture and equipment	(518,640)	(59,605)	23,971	(554,274)
Vehicles	<u>(947,757)</u>	<u>(99,579)</u>	<u>-</u>	<u>(1,047,336)</u>
Total accumulated depreciation	<u>(6,064,484)</u>	<u>(288,720)</u>	<u>23,971</u>	<u>(6,329,233)</u>
Governmental activities capital assets, net	<u>\$ 3,813,110</u>	<u>\$ (101,172)</u>	<u>\$ (31,581)</u>	<u>\$ 3,680,357</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 96,351
Vocational	580

Support Services:

Administration	29,864
Fiscal	910
Operations and maintenance	22,835
Pupil transportation	102,353
Central	3,630
Non-instructional services	610
Extracurricular activities	22,913
Food service operation	<u>8,674</u>

Total depreciation expense \$ 288,720



**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/02</u>	<u>Issued in Fiscal 2003</u>	<u>Retired in Fiscal 2003</u>	<u>Balance 06/30/03</u>
Energy conservation notes	6.05%	05/20/92	05/18/13	\$ 487,216	\$ -	\$ (34,102)	\$ 453,114
Total				<u>\$ 487,216</u>	<u>\$ -</u>	<u>\$ (34,102)</u>	<u>\$ 453,114</u>

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

<u>Year Ending June 30</u>	<u>Energy Conservation Notes</u>
2004	\$ 58,287
2005	58,287
2006	58,287
2007	58,287
2008	58,287
2009 - 2013	<u>291,437</u>
Total	<u>582,872</u>
Less: interest	<u>(129,758)</u>
Total principal	<u>\$ 453,114</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**B.** During fiscal 2001, the District issued long-term tax anticipation notes, subsequent to the approval by the voters of a new, 3.0 mill levy for permanent improvements. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. These notes are accounted for as a long-term obligation of the governmental activities. In the prior year, these notes were accounted for in the Permanent Improvement Fund, see Note 3.A. for detail. A summary of the tax anticipation notes activity in fiscal 2003 follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/02</u>	<u>Issued in Fiscal 2003</u>	<u>Retired in Fiscal 2003</u>	<u>Balance 06/30/03</u>
Tax anticipation notes	5.70%	07/12/00	07/12/10	<u>\$ 2,251,507</u>	\$ -	<u>\$ (198,377)</u>	<u>\$ 2,053,130</u>
Total				<u>\$ 2,251,507</u>	<u>\$ -</u>	<u>\$ (198,377)</u>	<u>\$ 2,053,130</u>

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

<u>Year Ending June 30</u>	<u>Tax Anticipation Notes</u>
2004	\$ 320,737
2005	320,397
2006	320,036
2007	319,655
2008	319,254
2009 - 2011	<u>955,112</u>
Total	<u>2,555,191</u>
Less: interest	<u>(502,061)</u>
Total principal	<u>\$ 2,053,130</u>

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased from \$1,059,534 to \$1,082,859 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$113,048 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The tax anticipation note was reported as a fund liability in fiscal year 2002. The principal balance of \$2,251,507 is included as a long-term obligation of the governmental activities. The effect on the total governmental activities long-term obligations at July 1, 2002 was an increase of \$2,161,784 from \$1,659,798 to \$3,821,582. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/03</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Tax anticipation notes	\$ 2,251,507	\$ -	\$ (198,377)	\$ 2,053,130	\$ 209,685
Energy conservation notes	487,216	-	(34,102)	453,114	35,785
Compensated absences	<u>1,082,859</u>	<u>63,563</u>	<u>(101,989)</u>	<u>1,044,433</u>	<u>131,587</u>
Total long-term obligations, governmental activities	<u>\$ 3,821,582</u>	<u>\$ 63,563</u>	<u>\$ (334,468)</u>	<u>\$ 3,550,677</u>	<u>\$ 377,057</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$18,246,204, and an unvoted debt margin of \$225,548, and an unvoted energy conservation debt margin of \$1,576,819.

**NOTE 10 - RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for dental benefits offered to employees. Under this program, the Self Insurance fund provides coverage for each claim, capped at \$88,619 annually for all claims. The plan is administered by Mutual Health Services, Inc. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss, including health, life, fleet, property and casualty, and district-wide liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in the amounts of insurance coverage from fiscal 2002.

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT - (Continued)**

All funds of the District participate in the program and make payments to the Self Insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). For fiscal year 2003, the District paid into the Self Insurance fund a monthly premium of \$19.27 for single coverage, and \$64.28 for family coverage. The District's independent third-party administrator has actuarially determined that \$19,590 is a good and sufficient provision for all unmatured claim obligations (including both reported, but unpaid claims, and incurred, but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 2003.

The claims liability of \$19,590 reported in the fund at June 30, 2003, is based on the provisions of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$ 13,970	\$ 139,318	\$ (133,698)	\$ 19,590
2002	22,105	115,971	(124,106)	13,970

The District retains all reserves, in anticipation of future claims. For the fiscal 2003 plan year, the District's reserves amounted to over \$185,000.

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

**B. Workers' Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - 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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$283,844, \$263,742, and \$248,250, respectively; 44.25% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$158,244, represents the unpaid contribution for fiscal year 2003.

**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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,024,405, \$1,008,283, \$961,533, respectively; 80.80% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$196,648, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.20 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$73,172 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$147,613 during the 2003 fiscal year.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**TRIWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 362,591
Net adjustment for revenue accruals	(186,366)
Net adjustment for expenditure accruals	(131,043)
Net adjustment for other sources/uses	(11,536)
Adjustment for encumbrances	<u>34,152</u>
GAAP basis	<u>\$ 67,798</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 14 - CONTINGENCIES - (Continued)**

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ (151,794)	\$ (3,251,846)
Current year set-aside requirement	294,033	294,033
Current year offsets	-	(590,296)
Qualifying disbursements	<u>(336,335)</u>	<u>-</u>
Total	<u>\$ (194,096)</u>	<u>\$ (3,548,109)</u>
Balance carried forward to FY 2004	<u>\$ (194,096)</u>	<u>\$ (3,548,109)</u>

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

## **SUPPLEMENTAL DATA**

**TRIWAY LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Distribution	10.550	N/A	\$ -	\$ 86,231	\$ -	\$ 86,231
(A),(C) School Breakfast Program	10.553	050591-05PU-2002	688		688	
(A),(C) School Breakfast Program	10.553	050591-05PU-2003	1,720		1,720	
(A),(C) National School Lunch	10.555	050591-LLP4-2002	38,889		38,889	
(A),(C) National School Lunch	10.555	050591-LLP4-2003	107,401		107,401	
(A),(C) School Milk Program	10.556	050591-02PU-2002	996		996	
(A),(C) School Milk Program	10.556	050591-02PU-2003	2,404		2,404	
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>152,098</u>	86,231	<u>152,098</u>	86,231
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I	84.010	050591-C1-S1-2002	12,529		33,504	
Title I	84.010	050591-C1-S1-2003	166,844		148,845	
Title I	84.010	050591-C1-SD-2002	-		5,211	
Title I	84.010	050591-C1-SD-2003	21,267		20,913	
<b>Total Title I</b>			<u>200,640</u>		<u>208,473</u>	
Title VI-B	84.027	050591-6B-SF-2002-P	41,223		83,259	
Title VI-B	84.027	050591-6B-SF-2003-P	251,995		231,190	
<b>Total Title VI-B</b>			<u>293,218</u>		<u>314,449</u>	
Safe and Drug-Free Schools	84.186	050591-DR-S1-2002	-		6,406	
Safe and Drug-Free Schools	84.186	050591-DR-S1-2003	9,271		6,486	
<b>Total Safe and Drug-Free Schools</b>			<u>9,271</u>		<u>12,892</u>	
Eisenhower Professional Development	84.281	050591-MS-S1-2002	-		9,160	
Eisenhower Professional Development	84.281	050591-MS-S1-2003	971		971	
<b>Total Eisenhower Professional Development</b>			<u>971</u>		<u>10,131</u>	
Innovative Education Program Strategie	84.298	050591-C2-S1-2003	12,097		12,097	
Virtual Learning	84.318	050591-TF-S1-2003	4,568		4,568	
Title VI-R	84.340	050591-CR-S1-2002	-		3,985	
Title VI-R	84.340	050591-CR-S1-2003	8,601		8,601	
<b>Total VI-R</b>			<u>8,601</u>		<u>12,586</u>	
School Renovation, IDEA and Technolog	84.352A	050591-AT-S2-2002	7,930		7,930	
Improving Teacher Quality	84.367	050591-TR-S1-2003	74,502		74,502	
<b>Total U.S. Department of Education</b>			<u>611,798</u>		<u>657,628</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
(E) Community Alternative Funding System Program	93.778	N/A	22,389		22,389	
<b>Total U.S. Department of Health and Human Services</b>			<u>22,389</u>		<u>22,389</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 786,285</u>	<u>\$ 86,231</u>	<u>\$ 832,115</u>	<u>\$ 86,231</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major program
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) This schedule was prepared on the cash basis of accounting
- (E) Passed through the Tri-County Educational Service Center

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“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Triway Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. During the fiscal year ended June 30, 2003, the Triway Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets. 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 Triway Local School District's financial statements of the governmental activities, each major fund, and the aggregate remaining fund information 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*.

Board of Education  
Triway Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Triway Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information 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 basic 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 coming to our attention that do not require inclusion in this report, that we have reported to the management of the Triway Local School District in a separate letter dated January 16, 2004.

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

Trimble, Julian & Grube, Inc.  
January 16, 2004

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

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

### Compliance

We have audited the compliance of Triway Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. The Triway Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for fixed assets. Triway Local School District's major federal program is 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 its major federal program is the responsibility of Triway Local School District's management. Our responsibility is to express an opinion on Triway Local School District's compliance based on our audit.

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

Board of Education  
Triway Local School District

In our opinion, Triway Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 operation that we consider to be material weaknesses.

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

Trimble, Julian & Grube, Inc.  
January 16, 2004

**TRIWAY LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

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

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

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

None

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

None





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**TRIWAY LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 1, 2004**