

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 1999***

TRIMBLE, JULIAN & GRUBE, INC.

TJG

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 1999*

**TRIMBLE, JULIAN & GRUBE, INC.
SUE A. KRUSE, TREASURER**

TJG

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

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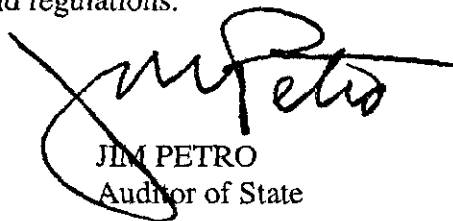
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Triway Local School District
Wooster, Ohio

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, 1998 to June 30, 1999. 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.



JIM PETRO
Auditor of State

January 5, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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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 general purpose financial statements of the Triway Local School District, Wayne County, (the "District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Triway Local School District, Wayne County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 1999 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Trimble, Julian & Grube, Inc.
November 2, 1999

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	General Long-Term Obligations		
										General	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$896,918	\$152,280	\$194,706	\$113,978	\$146,654	\$32,159					\$1,536,695
Investments	500,000										500,000
Receivables (net of allowances for uncollectibles):											
Property taxes - current & delinquent	5,155,674		99,127								5,254,801
Accounts	3,656	299		402	17,616						21,973
Due from other governments		8,162		19,143							27,305
Prepayments	24,747										24,747
Materials and supplies inventory	18,615			45,883							64,498
Restricted assets:											
Equity in pooled cash and cash equivalents	151,576										151,576
Property, plant and equipment (net of accumulated depreciation where applicable)				69,751			\$10,810,137				10,879,888
OTHER DEBITS:											
Amount to be provided for retirement of General Long-Term Obligations		\$160,741	\$293,833	\$249,157	\$164,270	\$32,159		\$1,624,821			\$20,086,304
Total assets and other debits	\$6,751,186	\$160,741	\$293,833	\$249,157	\$164,270	\$32,159	\$10,810,137	\$1,624,821	\$1,624,821	\$10,810,137	\$20,086,304

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Long-Term Obligations	
							Fixed Assets		
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$7,367	\$1,388	\$36,841		\$4,640				\$50,236
Accrued wages and benefits	1,050,067	33,406		\$34,076					1,117,549
Compensated absences payable	8,913			7,546				\$840,278	856,737
Pension obligation payable	182,076			20,998				87,672	290,746
Claims payable					11,005				11,005
Deferred revenue	5,065,675		97,586	36,965					5,200,226
Due to students						\$21,384			21,384
Deposits held and due to others						10,288			10,288
Energy conservation bonds payable							689,067		689,067
Obligation under capital lease							7,804		7,804
Total liabilities	6,314,098	34,794	134,427	99,585	15,645	31,672	1,624,821		8,255,042
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets								\$10,810,137	10,810,137
Retained earnings: unreserved				149,572	148,625				298,197
Fund balances:									
Reserved for encumbrances	60,036	28,190	54,201						142,427
Reserved for materials and supplies inventory	18,615								18,615
Reserved for prepayments	24,747								24,747
Reserved for tax revenue unavailing for appropriation	89,999		1,541						91,540
Reserved for budget stabilization	151,576								151,576
Designated for budget stabilization	348,471								348,471
Unreserved-undesignated	(256,356)	97,757	103,664			487			(54,448)
Total equity and other credits	437,088	125,947	159,406	149,572	148,625	487		10,810,137	11,831,262
Total liabilities, equity and other credits	\$6,751,186	\$160,741	\$293,833	\$249,157	\$164,270	\$32,159	\$1,624,821	\$10,810,137	\$20,086,304

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$4,592,990			\$87,467		\$4,680,457
Tuition	4,863					4,863
Earnings on investments	114,086	\$19				114,105
Extracurricular		230,011				230,011
Other local revenues	108,564	73,881			\$847	183,292
Other revenue	141,472					141,472
Intergovernmental - State	6,409,615	244,307		316,989		6,970,911
Intergovernmental - Federal		412,502				412,502
Total revenues	11,371,590	960,720		404,456	847	12,737,613
Expenditures:						
Current:						
Instruction:						
Regular	5,606,610	58,348		140,069		5,805,027
Special	934,628	263,657				1,198,285
Vocational	312,927					312,927
Other	58,695					58,695
Support services:						
Pupil	429,737	79,031			500	509,268
Instructional staff	274,358	59,944				334,302
Board of Education	31,241					31,241
Administration	1,035,412	74,612				1,110,024
Fiscal	275,373	14		1,552		276,939
Business	57,122					57,122
Operations and maintenance	916,903			284,966		1,201,869
Pupil transportation	880,624					880,624
Central	157,288	8,162				165,450
Community services		189,624				189,624
Extracurricular activities	236,849	247,896				484,745
Facilities services				732,414		732,414
Debt service:						
Principal retirement	31,061		\$64,356			95,417
Interest and fiscal charges	1,113		38,616			39,729
Total expenditures	11,239,941	981,288	102,972	1,159,001	500	13,483,702
Excess of revenues over (under) expenditures	131,649	(20,568)	(102,972)	(734,545)	347	(746,089)
Other financing sources (uses):						
Operating transfers in		10,000	102,972			112,972
Operating transfers out	(112,972)					(112,972)
Proceeds from sale of assets	700					700
Total other financing sources (uses)	(112,272)	10,000	102,972			700
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	19,377	(10,568)	0	(734,545)	347	(745,389)
Fund balances, July 1	403,129	136,515		913,951	140	1,453,735
Increase in reserve for inventory	6,460					6,460
Residual Equity Transfer In	8,122					8,122
Fund balances, June 30	\$437,088	\$125,947	\$0	\$159,406	\$487	\$722,928

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TRIWAY LOCAL SCHOOL DISTRICT
 WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$4,281,120	\$4,619,585	\$338,465										\$4,364,820	\$4,708,258	\$343,438
Tuition.....	7,285	7,285	0										7,285	7,285	0
Earnings on investments.....	113,000	119,382	6,382	\$18	\$18	\$0							113,018	119,400	6,382
Other local revenues.....	111,038	111,186	148	294,343	303,350	9,007							405,381	415,036	9,655
Other revenue.....	141,472	141,472	0										141,472	141,472	0
Intergovernmental - State.....	6,409,615	6,409,615	0	247,491	244,306	(3,185)							6,974,094	6,970,909	(3,185)
Intergovernmental - Federal.....				434,090	425,928	(8,162)							434,090	425,928	(8,162)
Total revenues.....	11,063,530	11,408,725	344,995	975,942	974,102	(1,840)							12,440,160	12,788,288	348,128
Expenditures:															
Current:															
Instruction:															
Regular.....	5,567,311	5,599,284	31,973	64,478	62,054	2,424							233,542	140,069	91,473
Special.....	988,217	993,055	4,838	283,573	254,887	28,686							305,470	303,167	2,303
Vocational.....															
Other.....	59,750	58,612	1,138										59,750	58,612	1,138
Support services:															
Food.....	423,745	414,280	9,465	89,039	81,330	7,709							512,284	495,610	17,174
Instructional staff.....	304,243	272,285	31,958	92,819	78,288	14,531							397,082	350,573	46,489
Board of Education.....	37,655	31,965	5,690										37,655	31,965	5,690
Administration.....	1,052,382	1,022,305	29,977	92,224	78,382	13,842							1,144,506	1,110,887	33,719
Fiscal.....	275,989	271,385	4,604										277,544	272,937	4,607
Business.....	60,800	59,643	1,157										60,800	59,643	1,157
Operations and maintenance.....	980,096	913,789	66,307										1,264,466	1,234,268	40,198
Capital expenditures.....	1,018,418	893,403	125,015										1,018,418	893,403	125,015
Central.....	1,693,319	1,571,110	122,209	8,140	8,140	0							1,693,319	1,571,110	122,209
Community services.....				189,963	189,920	43							189,963	189,920	43
Extracurricular activities.....				292,001	263,032	28,969							292,001	263,032	28,969
Facilities services.....															
Debt service.....															
Principal retirement.....															
Interest and fiscal charges.....															
Total expenditures.....	11,494,329	11,123,778	370,551	1,112,237	1,016,033	96,204							1,356,350	1,258,983	97,367
Excess of revenues over (under) expenditures.....	(430,799)	284,947	715,546	(136,295)	(41,931)	94,364							(955,662)	(853,322)	102,340
Other financing sources (uses):															
Refund of prior year's expenditures.....															
Operating transfers in.....	7,580	7,580	0	10,000	10,000	0							100,000	0	(100,000)
Operating transfers (out).....	(112,972)	(112,972)	0												
Proceeds of sale of fixed assets.....	700	700	0												
Total other financing sources (uses).....	(104,692)	(104,692)	0	10,000	10,000	0							100,000	0	(100,000)
Financing sources over (under) expenditures and other financing (uses):															
Fund balances, July 1.....	(535,491)	180,055	715,546	(126,295)	(31,931)	94,364							(855,662)	(853,322)	2,340
Prior year encumbrances appropriated.....	1,277,737	1,127,737	0	134,036	134,036	0							502,118	502,118	0
Prior year encumbrances appropriated.....	166,395	166,395	0	20,596	20,596	0							524,858	524,858	0
Residual equity transfer in.....	8,122	8,122	0										8,122	8,122	0
Fund balances, June 30.....	\$768,763	\$1,484,309	\$715,546	\$28,337	\$122,701	\$94,364							\$171,314	\$173,654	\$2,340
													\$968,414	\$1,780,654	\$812,250

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales/charges for services	\$424,381	\$141,600	\$565,981
Total operating revenues	<u>424,381</u>	<u>141,600</u>	<u>565,981</u>
Operating expenses:			
Personal services.	283,959		283,959
Contract services.	47,508	7,904	55,412
Materials and supplies.	293,660		293,660
Depreciation	11,275		11,275
Claims expense		98,782	98,782
Total operating expenses.	<u>636,402</u>	<u>106,686</u>	<u>743,088</u>
Operating income (loss)	<u>(212,021)</u>	<u>34,914</u>	<u>(177,107)</u>
Nonoperating revenues:			
Operating grants.	124,507		124,507
Federal commodities	63,510		63,510
Interest revenue	945		945
Total nonoperating revenues	<u>188,962</u>		<u>188,962</u>
Net income (loss)	<u>(23,059)</u>	<u>34,914</u>	<u>11,855</u>
Retained earnings, July 1.	180,753	113,711	294,464
Residual Equity Transfer Out	<u>(8,122)</u>		<u>(8,122)</u>
Retained earnings, June 30.	<u>\$149,572</u>	<u>\$148,625</u>	<u>\$298,197</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$424,085	\$121,843	\$545,928
Cash payments for personal services	(274,635)	(5,844)	(280,479)
Cash payments for contract services	(47,508)		(47,508)
Cash payments supplies and materials	(232,682)		(232,682)
Cash payments for claims expenses		(95,365)	(95,365)
Net cash provided by (used in) operating activities	(130,740)	20,634	(110,106)
Cash flows from noncapital financing activities:			
Cash received from operating grants	119,299		119,299
Residual equity transfer out	(8,122)		(8,122)
Net cash provided by noncapital financing activities	111,177		111,177
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(24,561)		(24,561)
Net cash used in capital and related financing activities	(24,561)		(24,561)
Cash flows from investing activities:			
Interest received	945		945
Net cash provided by investing activities	945		945
Net increase (decrease) in cash and cash equivalents	(43,179)	20,634	(22,545)
Cash and cash equivalents at beginning of year . .	157,157	126,020	283,177
Cash and cash equivalents at end of year	<u>\$113,978</u>	<u>\$146,654</u>	<u>\$260,632</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$212,021)	\$34,914	(\$177,107)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	11,275		11,275
Federal donated commodities	63,510		63,510
Changes in assets and liabilities:			
Decrease in supplies inventory	9,656		9,656
Increase in accounts receivable	(296)	(11,232)	(11,528)
Increase (Decrease) in accounts payable	(903)	2,060	1,157
Increase in accrued wages & benefits	12,154		12,154
Decrease in compensated absences payable	(2,186)		(2,186)
Decrease in pension obligation payable	(644)		(644)
Increase in claims payable		3,417	3,417
Decrease in deferred revenue	(11,285)	(8,525)	(19,810)
Net cash provided by (used in) operating activities	(130,740)	\$20,634	(110,106)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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 94 non-certified and 143 (including administrative) certified full-time and part-time employees to provide services to approximately 2,163 students in grades K through 12 and various community groups, which ranks it 242nd out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organization is described due to its relationship to the District.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Jointly Governed Organizations

Midland Council of Governments

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

Ashland County - West Holmes Joint Vocational School

The vocational school district 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 school 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.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

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

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

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

Internal Service Funds - Internal Service Funds are 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1998, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 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.
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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
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 measure 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation 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 during fiscal 1999 in the following amounts:

	<u>Increase</u>
General	\$309,634
Special Revenue	98,469
Capital Projects	112,199
Enterprise	76,122
Internal Service	34,000
Expendable Trust	8,000
Agency	<u>21,000</u>
Totals	<u>\$659,424</u>

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

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 11.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 1999, investments were limited to a repurchase agreement and a certificate of deposit, both of which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal 1999 totaled \$114,086, which included \$48,496 assigned from other funds of the District.

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

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Capital Project Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Career Development
Title VI-B
Title I
Title VI
Drug-Free School
Public School Preschool
Instructional Materials Subsidy

Capital Project Funds

School Net
Emergency Building Repairs

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Proprietary

National School Lunch Program
National School Breakfast Program
Special Milk Program

Grants and entitlements amounted to over 55% of the District's operating revenue during the 1999 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 Absence", 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 the balance sheet date 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 fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year.

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

L. Statutory Reserves

The District is required by state law to set aside certain general fund (cash basis) revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$ 66,484	\$ 66,484
Current year set-aside requirement	170,183	170,183	85,092	425,458
Additional set-aside by District	0	0	348,471	348,471
Offset credits	(32,826)	(95,910)	0	(128,736)
Qualifying disbursements	<u>(137,357)</u>	<u>(74,273)</u>	<u>0</u>	<u>(211,630)</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$500,047</u>	<u>\$ 500,047</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$500,047</u>	<u>\$ 500,047</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year. During fiscal 1999, the District has elected to set-aside \$348,471 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$151,576</u>
Total restricted assets	<u>\$151,576</u>

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balance represents planned actions for additional monies set-aside by the District for budget stabilization.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

N. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Memorandum Only - Total Columns

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

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 2.L. for statutory reserves.

R. Estimates

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficit:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Management Information Systems	\$(22)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits 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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 year end, the District had \$3,800 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year-end the carrying amount of the District's deposits was \$1,762,314 and the bank balance was \$1,836,633 (both amounts include \$500,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$200,000 was covered by federal deposit insurance.
2. \$1,636,633 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Category of Risk 3	Fair Value
Repurchase Agreement	<u>\$422,157</u>	<u>\$422,157</u>
Total Investments	<u>\$422,157</u>	<u>\$422,157</u>

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

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,688,271	\$ 500,000
Investments of the Cash Management Pool:		
Repurchase Agreement	(422,157)	422,157
Certificates of Deposit	500,000	(500,000)
Cash on Hand	<u>(3,800)</u>	<u> </u>
GASB Statement No. 3	<u>\$1,762,314</u>	<u>\$ 422,157</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized reconciliation of the District's operating transfers for fiscal year 1999:

Fund	Transfers In	Transfers (Out)
<u>General Fund</u>		\$(112,972)
<u>Special Revenue Fund</u>		
District Managed Student Activity	\$ 10,000	
<u>Debt Service Fund</u>	<u>102,972</u>	<u> </u>
Totals	<u>\$112,972</u>	<u>\$(112,972)</u>

**TRIWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B. During fiscal year 1999, a residual equity transfer was made from the Uniform School Supplies Enterprise fund to the General fund in the amount of \$8,122. The Uniform School Supplies fund was discontinued.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 23% of true value. The assessed value upon which the 1998 taxes were collected was \$170,317,707. Agricultural/Residential and public utility real estate and mineral rights real estate represented 66.54% or \$113,326,230 of this total; Commercial & Industrial real estate represented 12.70% or \$21,624,970; public utility tangible 9.14% or \$15,573,600 and general tangible property 11.62% or \$19,792,907. The voted general tax rate for operations at the fiscal year ended June 30, 1998 was \$36.80 per \$1,000.00 of assessed valuation; the voted rate for permanent improvements was \$1.00 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 6 - PROPERTY TAXES - (Continued)

The Wayne County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$5,155,674
<u>Special Revenue Funds</u>	
Due from other governments	8,162
<u>Capital Projects Funds</u>	
Taxes - current & delinquent	99,127
<u>Enterprise Funds</u>	
Due from other governments	19,143
<u>Internal Service Fund</u>	
Accounts - charges for services	17,616

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 1999</u>
Land/Improvements	\$ 624,230	\$ 140,041	\$	\$ 764,271
Buildings	4,443,238	753,206		5,196,444
Furniture/Equipment	2,403,377	484,835		2,888,212
Vehicles	1,083,676	135,026	86,675	1,132,027
Books	<u>829,183</u>	<u> </u>	<u> </u>	<u>829,183</u>
Total	<u>\$9,383,704</u>	<u>\$1,513,108</u>	<u>\$86,675</u>	<u>\$10,810,137</u>

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 316,988
Less: Accumulated Depreciation	<u>(247,237)</u>
Net Fixed Assets	<u>\$ 69,751</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In previous fiscal years, the District has entered into capital leases for copiers and computers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$31,061. This amount is reflected as debt service principal retirement in the General fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is an analysis of equipment leased under capital leases as of June 30, 1999:

	<u>General Fixed Asset Account Group</u>
<u>Computers</u>	<u>\$145,014</u>
Carrying Value	<u>\$145,014</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 1999:

	<u>June 30 Year Ending</u>	<u>General Long-Term Obligations</u>	
	<u>2000</u>	<u>Computers</u>	<u>Total</u>
Total Minimum Lease Payments		<u>\$7,884</u>	<u>\$7,884</u>
Less: Amount Representing Interest			<u>(80)</u>
Present Value of Future Minimum Lease Payments			<u>\$7,804</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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 are recorded 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.

A. The following is a description of the Triway Local School District notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/98</u>	<u>Retired in Fiscal 1999</u>	<u>Balance 06/30/99</u>
Energy Conservation Notes	6.05%	5/20/92	05/18/02	<u>\$753,423</u>	<u>\$(64,356)</u>	<u>\$689,067</u>
Total Notes				<u>\$753,423</u>	<u>\$(64,356)</u>	<u>\$689,067</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending <u>June 30</u>	Principal On Energy <u>Conservation Notes</u>	Interest On Energy <u>Conservation Notes</u>	<u>Total</u>
2000	\$ 65,707	\$ 35,077	\$100,784
2001	67,283	31,283	98,566
2002	68,861	27,501	96,362
2003	34,102	24,185	58,287
2004	35,786	22,502	58,288
2005 - 2009	208,618	82,819	291,437
2010 - 2013	<u>208,710</u>	<u>24,439</u>	<u>233,149</u>
Total	<u>\$689,067</u>	<u>\$247,806</u>	<u>\$936,873</u>

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 1999</u>
Compensated Absences				
Sick Leave (severance)	\$ 700,469	\$119,502		\$ 819,971
Vacation	17,224	3,083		20,307
Pension Obligation	97,377	87,672	\$ (97,377)	87,672
Energy				
Conservation Notes	753,423		(64,356)	689,067
Capital Lease Obligation	<u>38,865</u>		<u>(31,061)</u>	<u>7,804</u>
Total	<u>\$1,607,358</u>	<u>\$210,257</u>	<u>\$(192,794)</u>	<u>\$1,624,821</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 for the District at June 30, 1999 are a voted debt margin of \$15,328,594 and an unvoted debt margin of \$170,318.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$ 424,381		\$ 424,381
Operating Expenses	636,402		636,402
Depreciation	11,275		11,275
Operating Loss	(212,021)		(212,021)
Operating Grants	124,507		124,507
Net Loss	(23,059)		(23,059)
Fixed Assets:			
Additions	24,561		24,561
Net Working Capital	89,287		89,287
Total Assets	249,157		249,157
Long-Term Liabilities			
Payable from Fund Revenues	7,546		7,546
Residual Equity Transfer Out		\$(8,122)	(8,122)
Total Fund Equity	149,572		149,572
Encumbrances at 06/30/98	17,077		17,077

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 12 - RISK MANAGEMENT

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 up to a monthly maximum of \$12.87 (single) and \$52.51 (family) 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.

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). The District's independent third-party administrator has actuarially determined that \$11,005 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, 1999.

The claims liability of \$11,005 reported in the fund at June 30, 1999 is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability 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>
1997	\$6,259	\$ 98,418	\$ (99,149)	\$ 5,528
1998	5,528	80,166	(78,106)	7,588
1999	7,588	98,782	95,365	11,005

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 12 - RISK MANAGEMENT - (Continued)

The District retains all reserves, in anticipation of future claims. For the fiscal year 1999 plan year, the District's reserves amounted to over \$135,000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA GRP established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in Chapter 4123.29 of the Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 13 - 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were, \$243,208, \$210,525, and \$199,464, respectively; 55 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$111,132, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$901,168, \$852,529, and \$789,965, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$149,032, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$225,292 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.02 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$117,828 during the 1999 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 15 - 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 governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$180,055	\$(31,931)	\$(853,322)
Net Adjustment for Revenue Accruals	(36,935)	(13,382)	(1,205)
Net Adjustment for Expenditure Accruals	(180,348)	5,166	78,930
Net Adjustment for Other Financing Sources/(Uses)	(7,580)		
Adjustment for Encumbrances	<u>64,185</u>	<u>29,579</u>	<u>21,052</u>
GAAP Basis	<u>\$ 19,377</u>	<u>\$(10,568)</u>	<u>\$(754,545)</u>

NOTE 16 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District has been named in a lawsuit for improperly evaluating and non-renewal of a teacher's contract. While the arbitrator has ruled in favor of the plaintiff, the Board and its legal counsel are vigorously contesting the decision to the Ninth District Court of Appeals. *The Board and legal counsel cannot determine the outcome of the appeal at this time, however, they feel strongly about a favorable decision.*

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$5,607,517 of school foundation for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

NOTE 17 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 17 - YEAR 2000 ISSUE - (Continued)

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems. The District has been assured by the State of Ohio that all software programs currently used by the District will be Year 2000 compliant by March, 1999.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

SUPPLEMENTAL DATA

**TRIWAY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$57,924		\$63,510
(A) (C) School Breakfast Program	10.553	N/A	\$1,233		\$1,233	
(A) (C) National School Lunch Program	10.555	N/A	110,113		110,113	
(A) (C) Special Milk Program	10.556	N/A	3,042		3,042	
Total Nutrition Cluster			114,388	57,924	114,388	63,510
Total U. S. Department of Agriculture			114,388	57,924	114,388	63,510
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Education Consolidation and Improvement Act of 1981 - Title I						
	84.010	50591-C1-S1-98	21,589		32,940	
	84.010	50591-C1-SD-98	0		4,538	
	84.010	50591-C1-S1-99	168,928		148,918	
	84.010	50591-C1-SD-99	21,616		21,548	
Total Title I			212,133		207,964	
Assistance to States for Education of Handicapped Children - Title VI-B						
	84.027	50591-6B-SF-97P	34,320		43,599	
	84.027	50591-6B-SF-98P	114,736		98,954	
Total Title VI-B			149,056		142,553	
Drug Free Schools						
	84.186	50591-DR-S1-98	0		4,641	
	84.186	50591-DR-S1-99	3,498		3,498	
Total Drug Free Schools			3,498		8,139	
Goals 2000 Subsidy	84.276	50591-G2-S2-99	15,000		5,700	
Innovative Education Program Strategies - Title VI						
	84.298	50591-C2-S1-98	0		6,965	
	84.298	50591-C2-S1-99	8,432		8,432	
Total Title VI			8,432		15,397	
PASSED THROUGH THE STATE LIBRARY OF OHIO:						
Library Services and Technology Grant	45.310	50591-I-Jj-98	37,809		25,809	
Total U. S. Department of Education			425,928		405,562	
Total Federal Financial Assistance			\$540,316	\$57,924	\$519,950	\$63,510

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Comingled 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.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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Report on Compliance And on Internal Control Required By *Government Auditing Standards*

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

We have audited the general purpose financial statements of Triway Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 2, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Triway Local School District in a separate letter dated November 2, 1999.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
November 2, 1999

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Its Major Program And 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 year ended June 30, 1999. 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 generally accepted auditing standards; 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.

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 year ended June 30, 1999.

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.

Trimble, Julian & Grube, Inc.
November 2, 1999

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

**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Grant Cluster: Food Distribution CFDA #10.550; School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Special Milk Program for Children, CFDA #10.556
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: JAN 13 2000