

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

CONNIE COHN, TREASURER



Dave Yost • Auditor of State

Board of Education
Triad Local School District
7920 Brush Lake Road
North Lewisburg, Ohio 43060

We have reviewed the *Independent Accountants' Report* of the Triad Local School District, Champaign County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Triad Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 4, 2013

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Accountants' Report

Triad Local School District
7920 Brush Lake Rd.
North Lewisburg, Ohio 43060

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Triad Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Triad Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 on our consideration of the Triad Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Triad Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
October 19, 2012

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of the Triad Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$848,048, which represents a 6.43% decrease from 2011.
- General revenues accounted for \$8,483,497 or 79.49% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,188,303 or 20.51% of total revenues of \$10,671,800.
- The District had \$11,519,848 in expenses related to governmental activities; \$2,188,303 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,483,497 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,525,468 in revenues and other financing sources and \$9,922,105 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$396,637 from a balance of \$950,670 to \$554,033.

Using these Basic Financial Statements

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in the agency fund. All of the District's fiduciary activities are reported in the statement of fiduciary assets and liabilities on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-51 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 4,141,141	\$ 4,291,383
Capital assets, net	<u>16,575,106</u>	<u>16,781,507</u>
Total assets	<u>20,716,247</u>	<u>21,072,890</u>
<u>Liabilities</u>		
Current liabilities	2,932,171	2,366,923
Long-term liabilities	<u>5,439,543</u>	<u>5,513,386</u>
Total liabilities	<u>8,371,714</u>	<u>7,880,309</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,370,256	12,628,903
Restricted	359,270	644,039
Unrestricted (deficit)	<u>(384,993)</u>	<u>(80,361)</u>
Total net assets	<u>\$ 12,344,533</u>	<u>\$ 13,192,581</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$12,344,533. Of this total, \$384,993 is an unrestricted deficit.

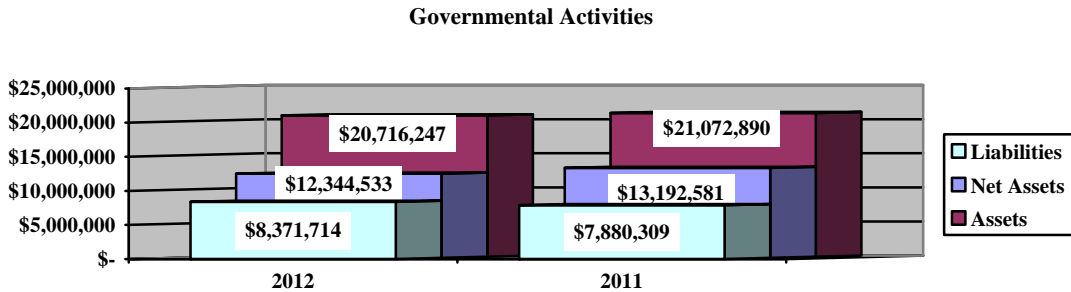
**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

At fiscal year-end, capital assets represented 80.01% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$12,370,256. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$359,270, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$384,993.

The graph below presents the District's assets, liabilities and net assets for fiscal years 2012 and 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

Changes in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,008,053	\$ 1,005,284
Operating grants and contributions	1,142,369	1,927,436
Capital grants and contributions	37,881	25,577
General revenues:		
Property taxes	1,684,080	2,526,558
School district income tax	1,692,420	1,574,161
Grants and entitlements	5,078,974	4,742,975
Investment earnings	2,280	2,907
Other	25,743	22,284
Total revenues	10,671,800	11,827,182

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Change in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,016,539	\$ 5,028,657
Special	1,257,193	1,356,131
Vocational	159,037	256,472
Other	63,663	36,716
Support services:		
Pupil	383,125	372,272
Instructional staff	284,905	316,740
Board of education	44,213	62,275
Administration	909,907	900,433
Fiscal	310,282	320,607
Business	8,388	6,823
Operations and maintenance	995,433	1,936,730
Pupil transportation	680,524	603,437
Central	216,417	221,517
Operation of non-instructional services:		
Food service operations	453,524	475,787
Extracurricular activities	457,087	438,786
Interest and fiscal charges	<u>279,611</u>	<u>285,215</u>
Total expenses	<u>11,519,848</u>	<u>12,618,598</u>
Change in net assets	(848,048)	(791,416)
Net assets at beginning of year	<u>13,192,581</u>	<u>13,983,997</u>
Net assets at end of year	<u>\$ 12,344,533</u>	<u>\$ 13,192,581</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$848,048. Total governmental expenses of \$11,519,848 were offset by program revenues of \$2,188,303 and general revenues of \$8,483,497. Program revenues supported 19.00% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent \$8,455,474 or 79.23% of total governmental revenues. Property tax revenue decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. For all governmental activities, the amount of tax advances available at June 30, 2012 and June 30, 2011 was \$208,574 and \$732,190, respectively. The amount of tax advance available at year-end can vary depending upon when the County Auditor distributes tax bills.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

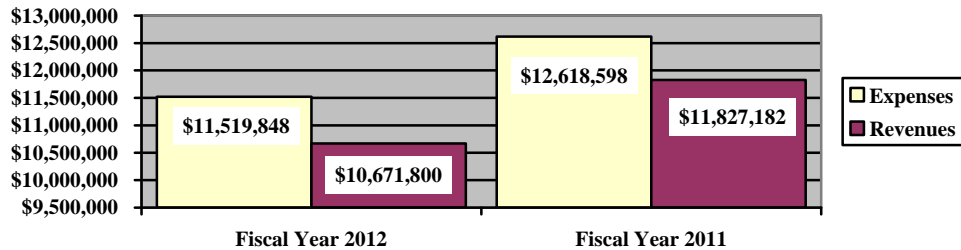
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The decrease in operating grants and contributions is due to decreased federal funding for fiscal year 2012 mainly due to decreased revenue related to IDEA part B, education stabilization and Title I grants.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,496,432 or 56.39% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 5,016,539	\$ 4,397,685	\$ 5,028,657	\$ 4,080,554
Special	1,257,193	551,585	1,356,131	577,009
Vocational	159,037	122,486	256,472	219,181
Other	63,663	16,706	36,716	(2,021)
Support services:				
Pupil	383,125	373,243	372,272	302,358
Instructional staff	284,905	239,171	316,740	259,733
Board of education	44,213	44,213	62,275	62,275
Administration	909,907	908,412	900,433	870,024
Fiscal	310,282	310,282	320,607	320,607
Business	8,388	8,388	6,823	6,823
Operations and maintenance	995,433	991,373	1,936,730	1,623,823
Pupil transportation	680,524	668,506	603,437	578,574
Central	216,417	211,017	221,517	209,692
Operation of non-instructional services:				
Food service operations	453,524	(24,976)	475,787	14,894
Extracurricular activities	457,087	271,724	438,786	277,137
Interest and fiscal charges	279,611	241,730	285,215	259,638
Total expenses	<u>\$ 11,519,848</u>	<u>\$ 9,331,545</u>	<u>\$ 12,618,598</u>	<u>\$ 9,660,301</u>

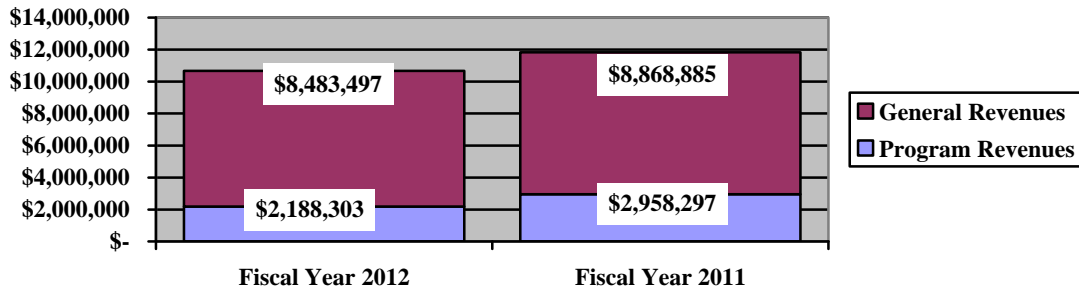
**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The dependence upon tax and other general revenues for governmental activities is apparent, 78.33% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.00%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the most significant sources of support for District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$900,508, which is lower than last year's total of \$1,446,487. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	(Decrease)	Percentage Change
General	\$ 554,033	\$ 950,670	\$ (396,637)	(41.72) %
Other Governmental	346,475	495,817	(149,342)	(30.12) %
Total	<u>\$ 900,508</u>	<u>\$ 1,446,487</u>	<u>\$ (545,979)</u>	(37.75) %

General Fund

The District's general fund balance decreased \$396,637. Expenditures exceeded revenues during fiscal year 2012 by \$425,859. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,109,768	\$ 3,756,621	\$ (646,853)	(17.22) %
Tuition	522,312	544,701	(22,389)	(4.11) %
Earnings on investments	2,280	2,907	(627)	(21.57) %
Intergovernmental	5,524,956	5,197,505	327,451	6.30 %
Other revenues	<u>117,152</u>	<u>113,916</u>	<u>3,236</u>	2.84 %
Total	<u>\$ 9,276,468</u>	<u>\$ 9,615,650</u>	<u>\$ (339,182)</u>	(3.53) %
<u>Expenditures</u>				
Instruction	\$ 5,553,727	\$ 5,620,802	\$ (67,075)	(1.19) %
Support services	3,580,716	3,627,697	(46,981)	(1.30) %
Extracurricular activities	277,201	285,441	(8,240)	(2.89) %
Capital outlay	249,000	-	249,000	100.00 %
Debt service	<u>41,683</u>	<u>-</u>	<u>41,683</u>	100.00 %
Total	<u>\$ 9,702,327</u>	<u>\$ 9,533,940</u>	<u>\$ 168,387</u>	1.77 %

Revenues of the general fund decreased \$339,182 or 3.53%. The most significant decrease was in the area of taxes which decreased \$646,853 or 17.22%. This decrease is due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2012 and June 30, 2011 was \$182,639 and \$641,988, respectively. The amount of tax advance available at year-end can vary depending upon when the County Auditor distributes tax bills. The decrease in tuition revenue is due to decreased enrollment experienced by the District. The decrease in earnings on investments is due to lower interest rates offered on District investments. All other revenues remained comparable to the prior year.

Expenditures of the general fund increased \$168,387 or 1.77%. The increase in capital outlay and debt service expenditures is due to the District signing a capital lease agreement during the current fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$9,535,099 remained the same in the final budget. Actual revenues and other financing sources for fiscal year 2012 was \$9,657,224. This represents a \$122,125 increase from budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,971,721 were increased to \$9,973,799 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$9,719,304, which was \$254,495 less than the final budget appropriations.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$16,575,106 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 414,157	\$ 414,157
Land improvements	139,761	59,138
Building and improvements	15,454,985	15,887,797
Furniture and equipment	271,169	104,837
Vehicles	295,034	315,578
Total	\$ 16,575,106	\$ 16,781,507

The overall decrease in capital assets of \$206,401 is due to depreciation expense of \$532,087 and disposals of \$78,598 (net of accumulated depreciation) exceeding capital outlays of \$404,284. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012 the District had general obligation bonds, energy conservation notes, lease-purchase obligations and capital lease obligations outstanding. Of the total long-term debt outstanding, \$302,452 is due within one year and \$4,748,003 is due in greater than one year.

The following table summarizes the bonds, notes, capital leases and lease-purchase agreement outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2012	2011
General Obligation Bonds	\$ 2,151,406	\$ 2,278,893
Energy conservation notes	745,000	798,000
Lease-purchase agreement	1,939,000	1,990,000
Capital lease agreement	215,049	-
Total	\$ 5,050,455	\$ 5,066,893

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Current Financial Related Activities

The District continues to manage its general fund budget prudently in order to optimize the dollars available for educating the students it serves, and to minimize the amounts needed from the District's citizens locally. The District, like most other school districts, is facing very difficult challenges in the area of budget management. Due to the ongoing uncertainty in State funding, the District is approaching anticipated future revenue very conservatively. The District relies heavily upon real estate taxes, income taxes (1% continuing and 1/2% for a five-year term ending 2015) and State aid to support its budget. These three areas of revenue accounted for approximately 91% of the general fund revenue in fiscal year 2012 with State aid providing the largest percentage of the three at around 58%.

In an effort to reduce costs in future years the District continues to look at innovative ways of lowering expenses where possible without drastically affecting student programs. The District researched and instituted a House Bill 264 Energy Conservation project which replaced existing water heaters, lighting fixtures and heating and air conditioning control units in all three school buildings with more efficient equipment. The project was finished in May of 2012 and it continues to greatly reduce both electric and propane usage as well as maintenance repair costs in the above mentioned areas. All expenses are reviewed throughout the year with the entire administrative team for possible changes and reductions. When any District staff member leaves, the current administration looks at all possible alternatives before hiring a replacement.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Connie Cohn, Treasurer, Triad Local School District, 7920 Brush Lake Rd, North Lewisburg, Ohio 43060.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 994,207
Receivables:	
Property taxes	2,354,352
Income taxes.	546,731
Accounts.	19,579
Accrued interest	348
Intergovernmental	112,226
Prepayments	53,722
Materials and supplies inventory.	4,917
Unamortized bond issuance costs	46,941
Unamortized note issuance costs	8,118
Capital assets:	
Land.	414,157
Depreciable capital assets, net.	16,160,949
Capital assets, net.	<u>16,575,106</u>
 Total assets.	 <u>20,716,247</u>
 Liabilities:	
Accounts payable.	58,441
Accrued wages and benefits	694,625
Pension obligation payable.	207,096
Intergovernmental payable	39,990
Accrued interest payable	18,362
Unearned revenue	1,913,657
Long-term liabilities:	
Due within one year.	306,744
Due in more than one year.	5,132,799
 Total liabilities	 <u>8,371,714</u>
 Net Assets:	
Invested in capital assets, net of related debt.	12,370,256
Restricted for:	
Classroom facilities maintenance	36,772
Debt service.	157,168
Federally funded programs	333
Student activities	83,457
Other purposes	81,540
Unrestricted (deficit)	<u>(384,993)</u>
 Total net assets	 <u>\$ 12,344,533</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 5,016,539	\$ 554,935	\$ 63,919	\$ -	\$ (4,397,685)
Special	1,257,193	28,876	676,732	-	(551,585)
Vocational	159,037	-	36,551	-	(122,486)
Other	63,663	-	46,957	-	(16,706)
Support services:					
Pupil	383,125	-	9,882	-	(373,243)
Instructional staff	284,905	-	45,734	-	(239,171)
Board of education	44,213	-	-	-	(44,213)
Administration	909,907	-	1,495	-	(908,412)
Fiscal	310,282	-	-	-	(310,282)
Business	8,388	-	-	-	(8,388)
Operations and maintenance	995,433	4,060	-	-	(991,373)
Pupil transportation	680,524	-	12,018	-	(668,506)
Central	216,417	-	5,400	-	(211,017)
Operation of non-instructional services:					
Food service operations	453,524	245,963	232,537	-	24,976
Extracurricular activities	457,087	174,219	11,144	-	(271,724)
Interest and fiscal charges	279,611	-	-	37,881	(241,730)
Totals	\$ 11,519,848	\$ 1,008,053	\$ 1,142,369	\$ 37,881	(9,331,545)
General Revenues:					
Property taxes levied for:					
General purposes					1,475,789
Classroom facilities maintenance					26,982
Debt service					181,309
Income taxes levied for:					
General purposes					1,692,420
Grants and entitlements not restricted to specific programs					5,078,974
Investment earnings					2,280
Miscellaneous					25,743
Total general revenues					8,483,497
Change in net assets					(848,048)
Net assets at beginning of year					13,192,581
Net assets at end of year					\$ 12,344,533

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 609,234	\$ 382,473	\$ 991,707
Receivables:			
Property taxes.	2,065,966	288,386	2,354,352
Income taxes	546,731	-	546,731
Accounts	19,189	390	19,579
Accrued interest	348	-	348
Intergovernmental.	29,999	82,227	112,226
Prepayments.	53,722	-	53,722
Materials and supplies inventory.	-	4,917	4,917
Due from other funds	84,715	-	84,715
Restricted assets:			
Equity in pooled cash and cash equivalents	2,500	-	2,500
Total assets	\$ 3,412,404	\$ 758,393	\$ 4,170,797
Liabilities:			
Accounts payable	\$ 50,337	\$ 8,104	\$ 58,441
Accrued wages and benefits.	667,323	27,302	694,625
Intergovernmental payable	37,307	2,683	39,990
Pension obligation payable	190,078	17,018	207,096
Deferred revenue	233,806	37,959	271,765
Unearned revenue.	1,679,520	234,137	1,913,657
Due to other funds	-	84,715	84,715
Total liabilities.	2,858,371	411,918	3,270,289
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	4,917	4,917
Prepayments	53,722	-	53,722
Restricted:			
Debt service	-	150,788	150,788
Classroom facilities maintenance	-	33,200	33,200
Food service operations	-	87,687	87,687
Other purposes.	-	333	333
Extracurricular.	-	83,457	83,457
School bus purchases	2,500	-	2,500
Committed:			
Underground storage tank	11,000	-	11,000
Assigned:			
Student and staff support.	7,777	-	7,777
Public school support and school supplies	37,297	-	37,297
Subsequent year appropriations	568,079	-	568,079
Other purposes	1,384	-	1,384
Unassigned (deficit)	(127,726)	(13,907)	(141,633)
Total fund balances	554,033	346,475	900,508
Total liabilities and fund balances	\$ 3,412,404	\$ 758,393	\$ 4,170,797

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 900,508
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,575,106
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 232,121	
Intergovernmental receivable	39,644	
Total	271,765	271,765
Unamortized bond issuance costs are not recognized in the funds.		46,941
Unamortized note issuance costs are not recognized in the funds.		8,118
Unamortized premiums on bond issuances are not recognized in the funds.		(143,109)
Unamortized discounts on note issuances are not recognized in the funds.		6,001
Unamortized deferred charges on refundings are not recognized in the funds.		96,162
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(18,362)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,151,406)	
Lease-purchase agreement	(1,939,000)	
Compensated absences	(348,142)	
Energy conservation notes payable	(745,000)	
Capital lease obligation	(215,049)	
Total	(5,398,597)	(5,398,597)
Net assets of governmental activities		\$ 12,344,533

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 1,417,348	\$ 200,218	\$ 1,617,566
Income taxes	1,692,420	-	1,692,420
Tuition	522,312	-	522,312
Earnings on investments	2,280	23	2,303
Charges for services	-	245,963	245,963
Extracurricular	53,125	154,119	207,244
Classroom materials and fees	28,474	-	28,474
Rental income	4,060	-	4,060
Contributions and donations	28,606	11,144	39,750
Other local revenues	2,887	-	2,887
Intergovernmental - state	5,524,956	47,891	5,572,847
Intergovernmental - federal	-	869,176	869,176
Total revenues	<u>9,276,468</u>	<u>1,528,534</u>	<u>10,805,002</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,450,111	275,983	4,726,094
Special	952,388	274,592	1,226,980
Vocational	151,228	3,000	154,228
Other	-	63,663	63,663
Support services:			
Pupil	360,332	9,882	370,214
Instructional staff	228,035	45,613	273,648
Board of education	43,620	-	43,620
Administration	876,405	1,500	877,905
Fiscal	294,547	7,660	302,207
Business	8,388	-	8,388
Operations and maintenance	919,466	112,729	1,032,195
Pupil transportation	644,280	-	644,280
Central	205,643	5,361	211,004
Operation of non-instructional services:			
Food service operations	-	433,229	433,229
Extracurricular activities	277,201	162,671	439,872
Capital outlay	249,000	-	249,000
Debt service:			
Principal retirement	33,951	269,000	302,951
Interest and fiscal charges	7,732	232,771	240,503
Total expenditures	<u>9,702,327</u>	<u>1,897,654</u>	<u>11,599,981</u>
Deficiency of revenues under expenditures	<u>(425,859)</u>	<u>(369,120)</u>	<u>(794,979)</u>
Other financing sources (uses):			
Transfers in	-	219,778	219,778
Transfers (out)	(219,778)	-	(219,778)
Capital lease transaction	249,000	-	249,000
Total other financing sources (uses)	<u>29,222</u>	<u>219,778</u>	<u>249,000</u>
Net change in fund balances	(396,637)	(149,342)	(545,979)
Fund balances at beginning of year	<u>950,670</u>	<u>495,817</u>	<u>1,446,487</u>
Fund balances at end of year	<u>\$ 554,033</u>	<u>\$ 346,475</u>	<u>\$ 900,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (545,979)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expenses exceeds capital outlays in the current period.

Capital asset additions	\$	325,686	
Current year depreciation		(532,087)	
Total		(206,401)	(206,401)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		66,514	
Intergovernmental		(181,451)	
Total		(114,937)	(114,937)

Repayment of bond, notes, capital leases and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds		165,000	
Lease-purchase agreement		51,000	
Notes		53,000	
Capital leases		33,951	
Total		302,951	302,951

Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement net assets.

(249,000)

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Increase in accrued interest payable		(543)	
Accreted interest on capital appreciation bonds		(37,513)	
Amortization of bond issuance costs		(4,506)	
Amortization of bond premiums		13,738	
Amortization of note issuance costs		(605)	
Amortization of note discounts		(447)	
Amortization of deferred charges		(9,232)	
Total		(39,108)	(39,108)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

4,426

Change in net assets of governmental activities \$ (848,048)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 1,846,410	\$ 1,846,410	\$ 1,876,697	\$ 30,287
Income taxes	1,700,000	1,700,000	1,644,303	(55,697)
Tuition	551,827	551,827	522,212	(29,615)
Earnings on investments	3,000	3,000	1,939	(1,061)
Extracurricular	20,500	20,500	20,100	(400)
Classroom materials and fees	29,500	29,500	25,972	(3,528)
Rental income	4,800	4,800	4,060	(740)
Contributions and donations	11,000	18,000	22,856	4,856
Other local revenues	12,000	5,000	1,209	(3,791)
Intergovernmental - state	5,347,262	5,347,262	5,524,956	177,694
Total revenues	<u>9,526,299</u>	<u>9,526,299</u>	<u>9,644,304</u>	<u>118,005</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,480,651	4,481,606	4,555,679	(74,073)
Special	1,032,588	1,032,808	974,506	58,302
Vocational	149,447	149,479	146,446	3,033
Support services:				
Pupil	390,199	390,282	364,455	25,827
Instructional staff	257,732	257,787	241,767	16,020
Board of education	58,651	58,663	48,645	10,018
Administration	869,320	869,505	836,444	33,061
Fiscal	295,346	295,409	298,582	(3,173)
Business	9,698	9,700	8,388	1,312
Operations and maintenance	945,637	945,839	909,930	35,909
Pupil transportation	693,296	693,444	632,690	60,754
Central	267,787	267,844	202,313	65,531
Extracurricular activities	299,591	299,655	279,681	19,974
Facilities acquisition and construction	2,000	2,000	-	2,000
Total expenditures	<u>9,751,943</u>	<u>9,754,021</u>	<u>9,499,526</u>	<u>254,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(225,644)</u>	<u>(227,722)</u>	<u>144,778</u>	<u>372,500</u>
Other financing sources (uses):				
Refund of prior year's expenditures	8,800	8,800	12,920	4,120
Transfers (out)	(219,778)	(219,778)	(219,778)	-
Total other financing sources (uses)	<u>(210,978)</u>	<u>(210,978)</u>	<u>(206,858)</u>	<u>4,120</u>
Net change in fund balance	(436,622)	(438,700)	(62,080)	376,620
Fund balance at beginning of year	672,183	672,183	672,183	-
Prior year encumbrances appropriated . . .	28,422	28,422	28,422	-
Fund balance at end of year	<u>\$ 263,983</u>	<u>\$ 261,905</u>	<u>\$ 638,525</u>	<u>\$ 376,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2012

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 62,336
Receivables:	
Accounts	54
Total assets.	\$ 62,390
Liabilities:	
Due to students.	\$ 62,390
Total liabilities	\$ 62,390

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 470th largest in the State of Ohio among 918 public school districts and community schools in terms of enrollment. The District is located in Champaign County and includes the Villages of North Lewisburg, Mingo, Woodstock and Cable as well as portions of Zane, Union, Wayne, Rush and Allen Townships. It is staffed by 43 non-certified employees, 80 certified full-time teachers and other personnel who provide services to 1,011 students and other community members. The District currently operates three instructional buildings and one administrative building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

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

Western Ohio Computer Organization

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

Metropolitan Educational Council

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

PUBLIC ENTITY RISK POOLS

The Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzicko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 45235.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the state based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the program's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Program.

Ohio School Plan

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school districts' superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU)

CDMU sponsors medical plans for eight school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion, and Union Counties. These plans are for active employees and their covered dependents. Amongst the eight districts and service centers, there were two plans/plan options to active employees and their dependents. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Dublin, Ohio facility.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's only major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6) and revenue from District income taxes is recognized in the year in which the income is earned (See Note 7).

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Tax Budget - Prior to January 15, 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

Estimated Resources - By 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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$2,280, which includes \$866 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets. For details on the District's interfund balances at June 30, 2012, see Note 5.B.

J. Prepayments

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

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

K. Compensated Absences

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Assets

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

O. Estimates

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

P. Interfund Activity

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

Q. Unamortized Bond and Note Issuance Costs/Bond and Note Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond and note issuance costs are deferred and amortized over the term of the bonds and notes using the straight-line method. Unamortized bond and note issuance costs are recorded as an asset on the financial statements.

Bond and note premiums and discounts are deferred and amortized over the term of the bonds and notes using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and note discounts are presented as a subtraction from the face amount of the notes. A reconciliation between the bonds and notes face value and the amount reported on the statement of net assets is presented in Note 11.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, deferred charges, issuance costs and bond and note premiums and discounts are recognized in the current period.

R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents restricted for school bus purchases. These restricted assets are required due to restrictions placed on the monies by the State of Ohio.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2012.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 989
Race to the top	2,754
School improvement stimulus A	2,260
Title I	6,610
Improving teacher quality	1,294

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$313,814. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$160,277 of the District’s bank balance of \$508,365 was exposed to custodial risk as discussed below, while \$348,088 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 742,729	\$ 742,729

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 742,729	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 313,814
Investments	<u>742,729</u>
Total	<u>\$ 1,056,543</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 994,207
Agency fund	<u>62,336</u>
Total	<u>\$ 1,056,543</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the fiscal year ended June 30, 2012, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	<u>\$ 219,778</u>

Transfers are used to move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires them to be expended from and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2012, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 84,715</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign, Logan and Union Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$182,639 in the general fund, \$22,982 in the debt service fund (a nonmajor governmental fund) and \$2,953 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$641,988 in the general fund, \$78,493 in the debt service fund (a nonmajor governmental fund) and \$11,709 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 100,827,170	96.74	\$ 98,357,940	96.33
Public utility personal	<u>3,395,130</u>	<u>3.26</u>	<u>3,751,400</u>	<u>3.67</u>
Total	<u>\$ 104,222,300</u>	<u>100.00</u>	<u>\$ 102,109,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$25.60		\$25.60	
Debt service	2.50		2.50	
Classroom facilities maintenance	0.50		0.50	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The school district income tax (SDIT) is an income tax separate from federal, State and city income taxes which is earmarked specifically to support school districts. Residents pay the tax through employer withholding, individual quarterly estimates, and annual returns which are remitted to the Ohio Department of Taxation. Payments are made to the District through the Ohio Department of Taxation. The available money is distributed to the District quarterly. Quarterly payments contain the total gross collections, less refunds and administrative fees, and also include interest earned. The total available is usually sent to the District within a month of the end of the quarter.

The District has a 1.5% SDIT. 1.0% is a continuing tax, while .50% was approved in 2009 for five years. SDIT revenue received by the general fund during fiscal year 2012 was \$1,692,420.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 2,354,352
Income taxes	546,731
Accounts	19,579
Accrued interest	348
Intergovernmental	<u>112,226</u>
 Total	 <u><u>\$ 3,033,236</u></u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 414,157	\$ -	\$ -	\$ 414,157
Total capital assets, not being depreciated	<u>414,157</u>	<u>-</u>	<u>-</u>	<u>414,157</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	75,432	90,586	-	166,018
Building and improvements	20,037,902	-	(41,098)	19,996,804
Furniture and equipment	819,521	290,098	(37,500)	1,072,119
Vehicles	<u>922,800</u>	<u>23,600</u>	<u>-</u>	<u>946,400</u>
Total capital assets, being depreciated	<u>21,855,655</u>	<u>404,284</u>	<u>(78,598)</u>	<u>22,181,341</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(16,294)	(9,963)	-	(26,257)
Building and improvements	(4,150,105)	(391,714)	-	(4,541,819)
Furniture and equipment	(714,684)	(86,266)	-	(800,950)
Vehicles	<u>(607,222)</u>	<u>(44,144)</u>	<u>-</u>	<u>(651,366)</u>
Total accumulated depreciation	<u>(5,488,305)</u>	<u>(532,087)</u>	<u>-</u>	<u>(6,020,392)</u>
Governmental activities capital assets, net	<u>\$ 16,781,507</u>	<u>\$ (127,803)</u>	<u>\$ (78,598)</u>	<u>\$ 16,575,106</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 286,823
Special	29,742
Vocational	5,613
<u>Support services:</u>	
Pupil	12,002
Instructional staff	11,209
Board of education	593
Administration	36,019
Fiscal	9,694
Operations and maintenance	37,041
Pupil transportation	43,322
Central	6,304
<u>Operation of non-instructional services:</u>	
Food service operations	36,086
Extracurricular activities	<u>17,639</u>
Total depreciation expense	<u>\$ 532,087</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the current fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB codification, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$249,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$24,900, leaving a current book value of \$224,100. A corresponding liability was recorded in the government-wide statement of net assets. Principal payments in the 2012 fiscal year were as follows: \$33,951 paid by the general fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	55,577
2014	55,577
2015	55,577
2016	55,577
2017	<u>13,894</u>
Total minimum lease payments	236,202
Less: amount representing interest	<u>(21,153)</u>
Total	<u>\$ 215,049</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2011</u>			<u>June 30, 2012</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Series 2006 G.O. Bonds:					
Current interest	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
Capital appreciation	111,151	-	(60,344)	50,807	50,807
Accreted interest	167,742	37,513	(104,656)	100,599	100,599
Series 2010 energy					
conservation notes	798,000	-	(53,000)	745,000	50,000
Capital lease agreement	-	249,000	(33,951)	215,049	47,046
Lease-purchase agreement	1,990,000	-	(51,000)	1,939,000	54,000
Compensated absences	<u>401,488</u>	<u>39,494</u>	<u>(92,840)</u>	<u>348,142</u>	<u>4,292</u>
Total	<u>\$ 5,468,381</u>	<u>\$ 326,007</u>	<u>\$ (395,791)</u>	5,398,597	<u>\$ 306,744</u>
Less: Unamortized deferred charge on refunding				(96,162)	
Add: Unamortized premium on bond issuance				143,109	
Less: Unamortized discounts on note issuance				<u>(6,001)</u>	
Total on statement of net assets				<u>\$ 5,439,543</u>	

Compensated absences will be paid from the fund which the employees' salaries are paid, which are the general fund and the food service fund (a nonmajor governmental fund).

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The capital lease obligation will be paid from the general fund. See Note 10 for details.

- B. Series 2006 Bonds** - On January 26, 2006 the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2000 Construction Bonds (principal \$2,335,000). Issuance proceeds totaling \$2,490,400 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$2,150,000, and capital appreciation bonds, par value \$184,994. The final stated maturity of the current interest bonds is December 1, 2022. The capital appreciation bonds mature on December 1, 2011 and December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$500,000. Total accreted interest of \$100,599 has been included on the statement of net assets.

Payments of principal and interest on the Series 2006A refunding bonds will be made from the debt service fund (a nonmajor governmental fund). The following is a summary of the future debt service requirements to maturity:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 79,112	\$ 79,112	\$ 50,807	\$ 114,193	\$ 165,000
2014	165,000	79,113	244,113	-	-	-
2015	175,000	72,513	247,513	-	-	-
2016	180,000	65,513	245,513	-	-	-
2017	190,000	58,312	248,312	-	-	-
2018 - 2022	1,050,000	175,913	1,225,913	-	-	-
2023	240,000	9,600	249,600	-	-	-
Total	<u>\$ 2,000,000</u>	<u>\$ 540,076</u>	<u>\$ 2,540,076</u>	<u>\$ 50,807</u>	<u>\$ 114,193</u>	<u>\$ 165,000</u>

- C. Series 2010 Energy Conservation Notes** - During fiscal year 2011, the District issued \$798,000 of energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The unmatured obligations at year end are accounted for in the statement of net assets. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 37,800	\$ 87,800
2014	50,000	35,175	85,175
2015	50,000	32,550	82,550
2016	50,000	29,925	79,925
2017	50,000	27,300	77,300
2018 - 2022	275,000	93,844	368,844
2023 - 2026	<u>220,000</u>	<u>23,100</u>	<u>243,100</u>
Total	<u>\$ 745,000</u>	<u>\$ 279,694</u>	<u>\$ 1,024,694</u>

- D. Lease-Purchase Agreement** - On March 13, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (RPA) for the purpose of building a new school building and renovating existing buildings. The \$2,300,000 proceeds of this agreement were commingled with funding received from the Ohio School Facilities Commission and the March 23, 2000 issuance of General Obligations Bonds to complete the projects. The proceeds are to be paid over 30 ½ years with a final maturity of January 1, 2032. In 2002, the RPA merged with the Columbus Municipal Airport Authority to become Columbus Regional Airport Authority. Principal and interest payments related to the lease-purchase agreement are made from the debt service fund (a nonmajor governmental fund).

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2012 follows:

Fiscal Year <u>Ending June 30,</u>	<u>Lease-Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 54,000	\$ 110,131	\$ 164,131
2014	57,000	106,934	163,934
2015	60,000	103,565	163,565
2016	64,000	99,994	163,994
2017	67,000	96,221	163,221
2018 - 2022	400,000	416,506	816,506
2023 - 2027	532,000	283,103	815,103
2028 - 2032	<u>705,000</u>	<u>106,128</u>	<u>811,128</u>
Total	<u>\$ 1,939,000</u>	<u>\$ 1,322,582</u>	<u>\$ 3,261,582</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$7,289,822 (including available funds of \$150,788) and an unvoted debt margin of \$102,109.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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. During fiscal year 2012, the District purchased insurance through the Ohio School Plan (the "OSP"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by OSP are as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Building and Contents - Replacement Cost	\$35,362,786	\$1,000
Audio Visual Equipment	included	1,000
Miscellaneous Equipment	included	1,000
Electronic Equipment	included	1,000
Automobile Liability	3,000,000	1,000
General Liability		
Per occurrence	3,000,000	0
Total per year	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical

The District is also a member of the Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for school districts, educational service centers and Boards of Education. These plans are for active employees and their covered dependents. Amongst the eight districts and service centers, there were two plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Dublin, Ohio facility. Medical Mutual is the PPO provider for the CDMU.

Postemployment 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.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

**TRIAD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$148,591, \$143,548 and \$152,042, respectively; 59.34 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$585,373, \$607,013 and \$556,781, respectively; 82.08 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,391 made by the District and \$9,565 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$29,418, \$35,945 and \$30,216, respectively; 59.34 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,775, \$9,238 and \$9,042, respectively; 59.34 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$45,029, \$46,693 and \$42,829, respectively; 82.08 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (62,080)
Net adjustment for revenue accruals	(409,113)
Net adjustment for expenditure accruals	(170,985)
Net adjustment for other sources/uses	236,080
Funds budgeted elsewhere	(339)
Adjustment for encumbrances	9,800
GAAP basis	\$ (396,637)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the rotary fund, public school support fund, underground storage tank fund and the uniform school supplies fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	175,045
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(366,271)
Excess qualified expenditures from prior years	-
Current year offsets	(34,710)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (225,936)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	<u>\$ 7,877</u>

NOTE 19 - SUBSEQUENT EVENT

As of August 31, 2012, the CDMU dissolved. Effective September 1, 2012, the District became fully insured through Anthem.

SUPPLEMENTARY DATA

TRIAD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Grant Cluster:</i>				
(D)(E) School Breakfast Program	10.553	2012	\$ 47,432	\$ 47,432
(C)(E) National School Lunch Program-Food Donation	10.555	2012	24,394	24,394
(D)(E) National School Lunch Program	10.555	2012	156,628	156,628
Total National School Lunch Program			<u>181,022</u>	<u>181,022</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>228,454</u>	<u>228,454</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I School Improvement	84.010	2011	740	3,000
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	(200)	4,583
(F)(H) Title I Grants to Local Educational Agencies	84.010	2012	109,142	109,544
Total Title I Grants to Local Educational Agencies			<u>109,682</u>	<u>117,127</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	3,254	3,254
Total Title I Grant Cluster			<u>112,936</u>	<u>120,381</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2012	178,308	178,308
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2011	4,873	67,891
Total Special Education Grant Cluster			<u>183,181</u>	<u>246,199</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2012	9,882	9,882
Educational Technology State Grants	84.318	2011	782	782
(H) Improving Teacher Quality State Grants	84.367	2011	(870)	227
(H) Improving Teacher Quality State Grants	84.367	2012	50,892	50,892
Total Improving Teacher Quality State Grants			<u>50,022</u>	<u>51,119</u>
ARRA - Race to the Top, Recovery Act	84.395A	2012	30,018	32,959
Education Jobs Grant	84.410	2012	173,437	245,669
Total U.S. Department of Education			<u>560,258</u>	<u>706,991</u>
Total Federal Financial Assistance			<u>\$ 788,712</u>	<u>\$ 935,445</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
(B) This schedule was prepared on the cash basis of accounting.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
(F) Included as part of "Title I Grant Cluster" in determining major programs.
(G) Included as part of "Special Education Grant Cluster" in determining major programs.
(H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Education Agencies	84.010	2011	\$ 200	\$ -
Title I Grants to Local Education Agencies	84.010	2012	-	200
Improving Teacher Quality State Grants	84.367	2011	870	-
Improving Teacher Quality State Grants	84.367	2012	-	870
Totals			<u>\$ 1,070</u>	<u>\$ 1,070</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Triad Local School District
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise Triad Local School District's basic financial statements and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Triad Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Triad Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Triad Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Triad Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
Triad Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Triad Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Triad Local School District, federal awarding agencies and pass-through entities, and others within the Triad Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 19, 2012



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Its
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Triad Local School District
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

Compliance

We have audited the compliance of the Triad 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 could directly and materially affect the Triad Local School District's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Triad Local School District's major federal program. The Triad Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to opine on the Triad Local School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Triad Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Triad Local School District's compliance with those requirements.

In our opinion, the Triad Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The Triad Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Triad Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Triad Local School District's internal control over compliance.

Board of Education
Triad Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the Triad Local School District, federal awarding agencies and pass-through entities, and others within the Triad Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 19, 2012

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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 weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control 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(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Education Jobs Grant, CFDA #84.410
<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 BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

TRIAD LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 17, 2013