

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

CASH BASIS FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

SUE KRUSE, TREASURER

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

**CASH BASIS BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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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

Accountant's Compilation Report

To the Triway Local School District Board of Education
Wooster, Ohio

Management is responsible for the accompanying basic financial statements of the Triway Local School District, which comprise the statements listed in the table of contents as of June 30, 2017 and for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 5 through 12 was presented to supplement the basic financial statements for purposes of additional analysis. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
August 18, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the Triway Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017. The District has prepared their financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- The total cash-basis net position of the District was \$1,819,828.
- General receipts accounted for \$16,793,994 or 82.36% of total governmental activities receipts. Program specific receipts accounted for \$3,597,867 or 17.64% of total governmental activities receipts.
- The District had \$21,011,796 in disbursements related to governmental activities; \$3,597,867 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$16,793,994 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had total cash receipts of \$17,614,402 in 2017. The disbursements and other financing uses of the general fund totaled \$18,188,607. At June 30, 2017, the general fund's cash balance was \$1,708,134.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as is applicable to the District's cash basis of accounting.

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the District as a whole, presenting an aggregate view of the District's cash-basis 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. The general fund is the District's most significant fund.

Reporting the District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and the statement of activities – cash basis answer the question, "How did the District perform financially during 2017?" These statements only present the District's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This financial reporting framework takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net position and changes in net position on a cash basis. The change in net position is important because it tells the reader that, for the District as a whole, the cash basis 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

An analysis of the District's major governmental funds begins on page 10. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental 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 the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds, whose activity or balances are not large enough to warrant separate reporting, is aggregated and presented in a single column.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary fund is the agency fund.

Notes to the 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 19-45 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2017 and 2016.

	Net Position (Cash Basis)	
	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Equity in pooled cash and investments	\$ 1,819,828	\$ 2,439,763
Total assets	<u>\$ 1,819,828</u>	<u>\$ 2,439,763</u>
<u>Net Cash Position:</u>		
Restricted	\$ 111,694	\$ 157,424
Unrestricted	<u>1,708,134</u>	<u>2,282,339</u>
Total net cash position	<u>\$ 1,819,828</u>	<u>\$ 2,439,763</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2017, total net cash position of the District was \$1,819,828. A portion of the District's net position, \$111,694, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,708,134 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for the District for fiscal year 2017 and 2016.

	Change in Net Position	
	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Receipts:</u>		
Program revenues:		
Charges for services and sales	\$ 1,384,055	\$ 1,564,256
Operating grants and contributions	2,204,812	1,980,437
Capital grants and contributions	9,000	9,000
General revenues:		
Property taxes	7,297,235	7,202,604
Income taxes	1,922,225	1,782,556
Grants and entitlements	7,572,436	7,789,197
Investment earnings	<u>2,098</u>	<u>1,017</u>
Total receipts	<u>20,391,861</u>	<u>20,329,067</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Disbursements:</u>		
Program disbursements:		
Instruction:		
Regular	9,380,062	8,663,774
Special	2,889,644	2,912,434
Vocational	407,153	307,340
Other	229,514	84,248
Support services:		
Pupil	611,069	571,136
Instructional staff	1,020,268	1,056,219
Board of education	47,773	46,257
Administration	1,150,654	1,174,146
Fiscal	495,695	473,092
Operations and maintenance	1,581,003	1,523,354
Pupil transportation	1,158,387	981,048
Operation of non-instructional services:		
Other non-instructional services	96,000	120,000
Food service operations	634,292	691,392
Extracurricular activities	708,962	691,035
Facilities acquisition and construction	215,457	393,850
Debt service:		
Principal retirement	339,554	328,041
Interest and fiscal charges	<u>46,309</u>	<u>56,570</u>
Total disbursements	<u>21,011,796</u>	<u>19,281,986</u>
Change in net position	(619,935)	255,131
Net position at beginning of year	<u>2,439,763</u>	<u>2,184,632</u>
Net position at end of year	<u>\$ 1,819,828</u>	<u>\$ 2,439,763</u>

Governmental Activities

Governmental net cash position was \$1,819,828 at June 30, 2017; total governmental disbursements of \$21,011,796 were offset by program receipts of \$3,597,867 and general receipts of \$16,793,994. Program receipts supported 17.12% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 82.35% of total governmental receipts. Real estate property is reappraised every six years.

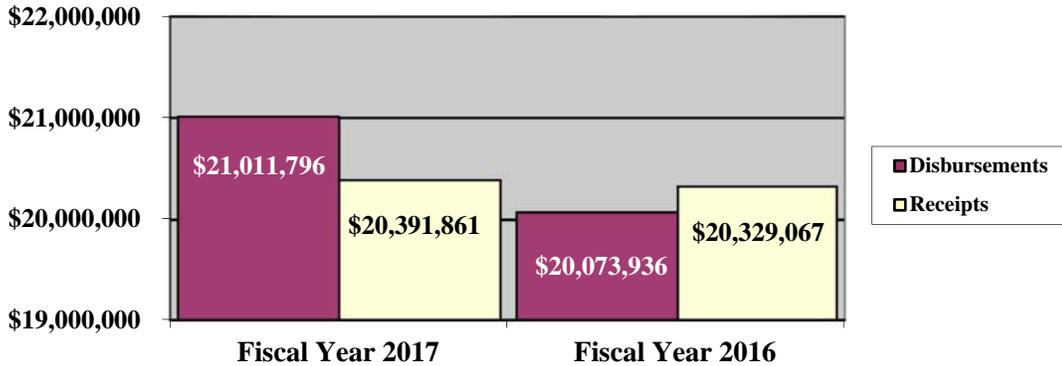
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$12,906,373 or 61.42% of total governmental disbursements for fiscal year 2017.

**TRIWAY LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2017 and 2016.

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
Disbursements:				
Instruction:				
Regular	\$ 9,380,062	\$ 8,491,575	\$ 8,663,774	\$ 7,778,049
Special	2,889,644	1,333,080	2,912,434	1,505,926
Vocational	407,153	342,351	307,340	272,098
Other	229,514	229,514	84,248	84,248
Support services:				
Pupil	611,069	532,544	571,136	506,299
Instructional staff	1,020,268	1,020,268	1,056,219	1,055,157
Board of education	47,773	47,773	46,257	46,257
Administration	1,150,654	1,150,654	1,174,146	1,174,146
Fiscal	495,695	495,695	473,092	473,092
Operations and maintenance	1,581,003	1,580,103	1,523,354	1,522,389
Pupil transportation	1,158,387	1,135,146	981,048	958,005
Operation of non-instructional services:				
Other non instructional services	96,000	(10,992)	120,000	-
Food service operations	634,292	4,802	691,392	21,577
Extracurricular activities	708,962	460,096	691,035	344,539
Facilities acquisition and construction	215,457	215,457	393,850	393,850
Debt service:				
Principal retirement	339,554	339,554	328,041	328,041
Interest and fiscal charges	46,309	46,309	56,570	56,570
Total	<u>\$ 21,011,796</u>	<u>\$ 17,413,929</u>	<u>\$ 20,073,936</u>	<u>\$ 16,520,243</u>

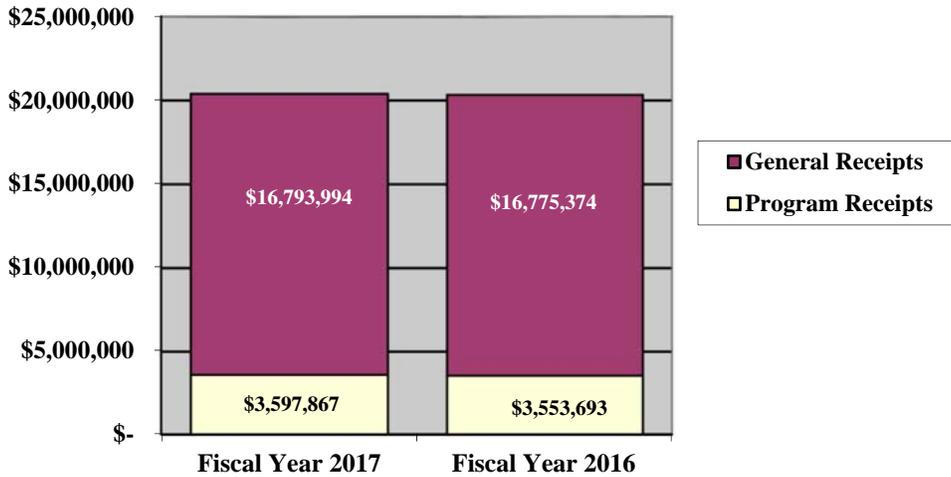
**TRIWAY LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon general receipts for instructional activities is apparent, as 80.55% of disbursements were supported through taxes and other general receipts during 2017. For all governmental activities, general receipts support is 82.88%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support of the District's students.

The graph below presents the District's governmental activities receipts for fiscal year 2017 and 2016.

Governmental Activities - General and Program Receipts



The District's Funds

At June 30, 2017, the District's governmental funds reported a combined cash fund balance of \$1,819,828, which is \$619,935 lower than last year's total of \$2,439,763. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change
Major Funds:			
General	\$ 1,708,134	\$ 2,282,339	\$ (574,205)
Other governmental funds	111,694	157,424	(45,730)
Total	<u>\$ 1,819,828</u>	<u>\$ 2,439,763</u>	<u>\$ (619,935)</u>

General Fund

The general fund, the District's largest major fund, had total receipts of \$17,614,402 in 2017. The disbursements and other financing uses of the general fund, totaled \$18,188,607 in 2017. The general fund's balance was \$1,708,134 at fiscal year-end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table that follows assists in illustrating the receipts of the general fund.

	2017 Amount	2016 Amount
<u>Receipts:</u>		
Taxes	\$ 8,660,160	\$ 8,325,569
Tuition	689,733	736,667
Earnings on investments	2,098	1,017
Miscellaneous	207,809	229,869
Intergovernmental	<u>8,054,602</u>	<u>8,231,885</u>
Total	<u>\$ 17,614,402</u>	<u>\$ 17,525,007</u>

The table that follows assists in illustrating the disbursements of the general fund.

	2017 Amount	2016 Amount
<u>Disbursements:</u>		
Instruction	\$ 11,836,911	\$ 11,062,907
Support services	5,843,083	5,737,816
Extracurricular	433,923	384,652
Other	<u>67,690</u>	<u>67,690</u>
Total	<u>\$ 18,181,607</u>	<u>\$ 17,253,065</u>

Taxes increased by \$334,591 during fiscal year 2017. This increase was a result of a increase in property and income tax collections during the year. Intergovernmental decreased by \$177,283 due to a decrease in governmental grant funding. All other revenue sources were comparable to fiscal year 2016.

Budgeting Highlights - General Fund

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 2017, the District did not amend its general fund budget. For the general fund, the original and final budgeted receipts were \$17,266,486. Actual receipts for fiscal 2017 were \$17,595,865 which was \$329,379 higher than the final budgeted receipts.

General fund original budgeted disbursements and other financing uses of \$17,645,674 were increased to \$18,250,000 in the final budgeted disbursements. The actual budget basis disbursement for fiscal year 2017 totaled \$18,164,860, which was \$85,140 less than the final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

The District does not capitalize assets on its financial statements or record the amortization of depreciation expense; rather, the District records disbursements when capital assets are purchased.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

Debt Administration

At June 30, 2017, the District had \$1,261,104 in long-term obligations outstanding; of this amount, \$351,104 is due within one year. A summary of the District's long-term obligations outstanding at June 30, 2017 and 2016:

	Governmental Activities 2017	Governmental Activities 2016
Tax anticipation note	\$ 1,195,000	\$ 1,470,000
Bus Lease	66,104	130,658
Total long-term obligations	\$ 1,261,104	\$ 1,600,658

For further information regarding the District's long-term obligations, refer to Note 8 to the basic financial statements.

Current Financial Related Activities

The renewal of the 0.75% income tax in March 2017 will contribute greatly to the District's cash resources for the next four years. The income tax began in January 2013 and full collection was realized in fiscal year 2016. The tax generates \$1.9 million annually.

Triway is one of a few school districts that will suffer a loss of State support due to the State's FY 2018-2019 biennial budget cuts. Basic aid will be reduced in both FY 2018 and FY 2019 by at least \$14,000. Due to reduced enrollment and the subsequent increase in per pupil valuation, state share of funded programs will diminish as well. State percentage is expected to drop from 43% to 40%.

The Superintendent and Treasurer are carefully monitoring the progress of the new Rover pipeline project that is under construction throughout the District. The pipeline will be assessed a cost value by the Department of Taxation, which will be added to the District's property tax duplicate. The assessment cannot be applied until the pipeline is functional. As of June 30, 2017, both the cost value and the completion date of the pipeline project are unknown factors.

To ensure the five-year forecast remains strong, management will continue to budget within the confines of the revenue stream. The balance of revenues and expenses is perilous. State cuts to foundation funding, increased costs of salaries/benefits, and the continued elimination of promised reimbursements can quickly deplete cash reserves.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,819,828
Total assets.	1,819,828
 Net cash position:	
Restricted for:	
Capital projects	7,736
State funded programs.	24,000
Student activities	77,760
Other purposes	2,198
Unrestricted	1,708,134
Total net cash position.	\$ 1,819,828

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 9,380,062	\$ 834,883	\$ 44,604	\$ 9,000	\$ (8,491,575)
Special	2,889,644	17,155	1,539,409	-	(1,333,080)
Vocational	407,153	-	64,802	-	(342,351)
Other	229,514	-	-	-	(229,514)
Support services:					
Pupil	611,069	-	78,525	-	(532,544)
Instructional staff	1,020,268	-	-	-	(1,020,268)
Board of education	47,773	-	-	-	(47,773)
Administration	1,150,654	-	-	-	(1,150,654)
Fiscal	495,695	-	-	-	(495,695)
Operations and maintenance	1,581,003	900	-	-	(1,580,103)
Pupil transportation	1,158,387	-	23,241	-	(1,135,146)
Operation of non-instructional services:					
Other non-instructional services	96,000	-	106,992	-	10,992
Food service operations	634,292	287,078	342,412	-	(4,802)
Extracurricular activities	708,962	244,039	4,827	-	(460,096)
Facilities acquisition and construction	215,457	-	-	-	(215,457)
Debt Service					
Principal retirement	339,554	-	-	-	(339,554)
Interest and fiscal charges	46,309	-	-	-	(46,309)
Total governmental activities	<u>\$ 21,011,796</u>	<u>\$ 1,384,055</u>	<u>\$ 2,204,812</u>	<u>\$ 9,000</u>	<u>(17,413,929)</u>
General cash receipts:					
Property taxes levied for:					
General purposes					6,737,935
Capital outlay					559,300
Income taxes levied for:					
General purposes					1,922,225
Grants and entitlements not restricted to specific programs					7,572,436
Investment earnings					2,098
Total general receipts					<u>16,793,994</u>
Change in net cash position					(619,935)
Net cash position at beginning of year					<u>2,439,763</u>
Net cash position at end of year					<u>\$ 1,819,828</u>

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,708,134	\$ 111,694	\$ 1,819,828
Total assets	<u>\$ 1,708,134</u>	<u>\$ 111,694</u>	<u>\$ 1,819,828</u>
Fund cash balances:			
Nonspendable:			
Unclaimed monies	\$ 1,559	\$ -	\$ 1,559
Restricted:			
Capital improvements	-	7,736	7,736
Food service operations	-	2,198	2,198
Public school preschool	-	24,000	24,000
Extracurricular activities	-	77,760	77,760
Assigned:			
Student instruction	159	-	159
Student and staff support	45,031	-	45,031
Unassigned	1,661,385	-	1,661,385
Total fund cash balances	<u>\$ 1,708,134</u>	<u>\$ 111,694</u>	<u>\$ 1,819,828</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 6,737,935	\$ 559,300	\$ 7,297,235
Income taxes	1,922,225	-	1,922,225
Tuition	689,733	-	689,733
Earnings on investments	2,098	-	2,098
Charges for services	-	287,078	287,078
Extracurricular	-	244,039	244,039
Classroom materials and fees	83,367	-	83,367
Rental income	900	-	900
Contributions and donations	-	4,827	4,827
Other local revenues	123,542	-	123,542
Intergovernmental - intermediate	39,451	-	39,451
Intergovernmental - state	8,015,151	320,680	8,335,831
Intergovernmental - federal	-	1,361,535	1,361,535
Total cash receipts	<u>17,614,402</u>	<u>2,777,459</u>	<u>20,391,861</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	9,371,062	9,000	9,380,062
Special	1,829,182	1,060,462	2,889,644
Vocational	407,153	-	407,153
Other	229,514	-	229,514
Support services:			
Pupil	532,544	78,525	611,069
Instructional staff	1,020,268	-	1,020,268
Board of education	47,773	-	47,773
Administration	1,150,654	-	1,150,654
Fiscal	484,853	10,842	495,695
Operations and maintenance	1,496,344	84,659	1,581,003
Pupil transportation	1,110,647	47,740	1,158,387
Operation of non-instructional services:			
Other operation of non-instructional	-	96,000	96,000
Food service operations	-	634,292	634,292
Extracurricular activities	433,923	275,039	708,962
Facilities acquisition and construction	-	215,457	215,457
Debt service:			
Principal retirement	64,554	275,000	339,554
Interest and fiscal charges	3,136	43,173	46,309
Total cash disbursements	<u>18,181,607</u>	<u>2,830,189</u>	<u>21,011,796</u>
Excess of cash disbursements over cash receipts	<u>(567,205)</u>	<u>(52,730)</u>	<u>(619,935)</u>
Other financing sources (uses):			
Transfers in	-	325,173	325,173
Transfers (out)	<u>(7,000)</u>	<u>(318,173)</u>	<u>(325,173)</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>7,000</u>	<u>-</u>
Net change in fund cash balances	(574,205)	(45,730)	(619,935)
Fund cash balances at beginning of year	<u>2,282,339</u>	<u>157,424</u>	<u>2,439,763</u>
Fund cash balances at end of year	<u>\$ 1,708,134</u>	<u>\$ 111,694</u>	<u>\$ 1,819,828</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 6,615,933	\$ 6,635,000	\$ 6,737,936	\$ 102,936
Income taxes.	1,800,000	1,818,207	1,922,225	104,018
Tuition.	640,000	710,000	689,732	(20,268)
Earnings on investments	2,000	1,100	2,098	998
Classroom materials and fees	90,900	90,900	83,367	(7,533)
Rental income	1,000	1,000	900	(100)
Other local revenues	32,500	32,500	78,940	46,440
Intergovernmental - intermediate	50,000	14,943	39,451	24,508
Intergovernmental - state	8,024,153	7,962,836	8,015,149	52,313
Total budgetary basis receipts	<u>17,256,486</u>	<u>17,266,486</u>	<u>17,569,798</u>	<u>303,312</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	8,882,667	9,393,630	9,349,808	43,822
Special.	2,025,197	1,837,756	1,829,182	8,574
Vocational.	381,639	409,221	407,312	1,909
Other.	86,934	230,590	229,514	1,076
Support services:				
Pupil.	518,548	535,040	532,544	2,496
Instructional staff	1,055,370	1,025,171	1,020,388	4,783
Board of education	47,731	48,248	48,023	225
Administration.	1,140,233	1,156,047	1,150,654	5,393
Fiscal	476,307	487,553	485,278	2,275
Operations and maintenance.	1,554,684	1,503,411	1,496,397	7,014
Pupil transportation	1,077,418	1,183,860	1,178,337	5,523
Extracurricular activities.	398,946	432,440	430,423	2,017
Total budgetary basis disbursements	<u>17,645,674</u>	<u>18,242,967</u>	<u>18,157,860</u>	<u>85,107</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(389,188)</u>	<u>(976,481)</u>	<u>(588,062)</u>	<u>388,419</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	-	26,067	26,067
Transfers (out).	-	(7,033)	(7,000)	33
Total other financing sources (uses)	<u>10,000</u>	<u>(7,033)</u>	<u>19,067</u>	<u>26,100</u>
Net change in fund cash balance	(379,188)	(983,514)	(568,995)	414,519
Fund cash balance at beginning of year . . .	2,213,341	2,213,341	2,213,341	-
Prior year encumbrances appropriated . . .	17,039	17,039	17,039	-
Fund cash balance at end of year	<u>\$ 1,851,192</u>	<u>\$ 1,246,866</u>	<u>\$ 1,661,385</u>	<u>\$ 414,519</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 48,639
Net cash position:	
Held for student activities	\$ 48,639

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Triway Local School District (the "District") is located in Wayne and Holmes Counties. The District includes all of the Village of Shreve and portions of Prairie, Clinton, Franklin, Wooster and Plain Townships. The District also includes a portion of the City of Wooster. The District serves an area of approximately 95 square miles.

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

The District currently operates three elementary schools, one junior high school, and one comprehensive high school. The District employs 77 non-certified and 139 certified full-time and part-time employees to provide services to approximately 1,679 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-County Computer Services Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized.

The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located.

Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which is the fiscal agent, located at 741 Winkler Drive, Wooster, OH 44691. During the year ended June 30, 2017, the District paid approximately \$150,400 to TCCSA.

GROUP PURCHASING POOLS

Jefferson Health Plan

On September 1, 2014, the District joined with several other school districts in an insurance purchasing pool to operate the Jefferson Health Plan. The Jefferson Health Plan is governed by a Board of Directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Risk are carried by the Jefferson Health Plan and coinsurance through commercial companies are required for claims in excess of \$75,000.

Each District decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums. Financial information can be obtained from Medical Mutual, P.O. Box 943, Toledo, OH 43656.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

The following is the District's 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) specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed, or assigned to disbursements for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition of construction of capital facilities and other capital assets.

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 cash assets and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District did not have any trust funds in fiscal year 2017. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student-managed activities.

C. Basis of Presentation

Government-wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis 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 - cash basis presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts not classified as program receipts are presented as general receipts of the District.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

D. Basis of Accounting

Although required by Ohio Administrative Code §117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The differences between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

E. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipt of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipt are identified by the District Treasurer.

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 a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation 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 fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

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 re-appropriated.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$2,098, which included \$223 assigned from other 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 and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

I. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

J. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other debt obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

K. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grants are received.

L. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for post-employment health care benefits.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

N. 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.

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. The District reported no committed fund balance at June 30, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

Q. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2015, the District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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.

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WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$1,862,118. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2017, \$1,451,392 of the District’s bank balance of \$1,884,790 was exposed to custodial risk as discussed below, while \$433,398 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, 2017, 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	\$ 6,349	\$ 6,349

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 credit 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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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, 2017:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 6,349	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis

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 position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,862,118
Investments	<u>6,349</u>
Total	<u>\$ 1,868,467</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,819,828
Agency fund	<u>48,639</u>
Total	<u>\$ 1,868,467</u>

NOTE 5 - INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The .75 percent portion of the tax was effective on January 1, 2013. This tax expired December 31, 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue received in the general fund during fiscal year 2017 was \$1,922,225.

NOTE 6 - PROPERTY TAXES

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

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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 Wayne and Holmes County. 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, 2017, are available to finance fiscal year 2017 operations. 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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 259,886,540	92.20	\$ 262,006,850	92.22
Public utility personal	<u>21,989,020</u>	<u>7.80</u>	<u>22,113,610</u>	<u>7.78</u>
Total	<u>\$ 281,875,560</u>	<u>100.00</u>	<u>\$ 284,120,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.90		\$ 48.75	

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
Nonmajor governmental fund	\$ 318,173
General fund	<u>7,000</u>
Total	<u>\$ 325,173</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$318,173 from the permanent improvement fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) was used for debt service payment on the tax anticipation notes.

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 8 - LONG-TERM OBLIGATIONS

The table that follows summarizes the changes in the District's long-term obligations during fiscal year 2017.

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Governmental Activities:					
2011 Tax anticipation note	\$ 1,470,000	\$ -	\$ (275,000)	\$ 1,195,000	\$ 285,000
Bus lease purchase	130,658	-	(64,554)	66,104	66,104
Total governmental activities	<u>\$ 1,600,658</u>	<u>\$ -</u>	<u>\$ (339,554)</u>	<u>\$ 1,261,104</u>	<u>\$ 351,104</u>

2011 Tax Anticipation Notes - During fiscal year 2011, the District issued long-term tax anticipation notes, subsequent to the passage of a 3.0 mil continuing levy for permanent improvements in 2000. The notes have an interest rate of 3.24% and mature on December 1, 2020. These notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes will be made from the debt service fund (a nonmajor governmental fund).

Bus Lease Purchase - See Note 9 for details.

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

Fiscal Year	Tax Anticipation Notes		
	Principal	Interest	Total
2018	\$ 285,000	\$ 34,101	\$ 319,101
2019	295,000	24,705	319,705
2020	305,000	14,985	319,985
2021	310,000	5,022	315,022
Total	<u>\$ 1,195,000</u>	<u>\$ 78,813</u>	<u>\$ 1,273,813</u>

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, 2017, are a voted debt margin of \$25,570,841 and an unvoted debt margin of \$284,120.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

In a previous fiscal year, the District entered into a lease purchase agreement for the acquisition of buses. These leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Principal and interest payments in the 2017 fiscal year totaled \$64,554 and \$3,136, respectively. These amounts are reported as debt service payments of the permanent improvement fund.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ <u>67,690</u>
Total minimum lease payment	67,690
Less: amount representing interest	<u>(1,586)</u>
Present value of minimum lease payments	<u>\$ 66,104</u>

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with the Ohio School Plan. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with the Ohio School Plan and have a \$1,000 deductible for buses and a \$500 for all other vehicles. All board members, administrators and employees are covered under a school district liability policy with Ohio School Plan. The limits of coverage are \$4,000,000 per occurrence and \$6,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Treasurer has a \$100,000 surety bond with the Cincinnati Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. The rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

NOTE 11 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

**TRIWAY LOCAL SCHOOL DISTRICT
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NOTE 11 - CONTINGENCIES - (Continued)

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 12 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$312,757 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,140,724 for fiscal year 2017.

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NOTE 12 - PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06010560%	0.07378310%	
Proportion of the net pension liability current measurement date	<u>0.06192170%</u>	<u>0.07412011%</u>	
Change in proportionate share	<u>0.00181610%</u>	<u>0.00033701%</u>	
Proportionate share of the net pension liability	\$ 4,532,097	\$ 24,810,235	\$ 29,342,332

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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NOTE 12 - PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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NOTE 12 - PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,000,214	\$ 4,532,097	\$ 3,303,222

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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NOTE 12 - PENSION PLANS - (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016.

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 32,970,786	\$ 24,810,235	\$ 17,936,329

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$30,835, \$30,835, and \$45,286, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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NOTE 14- BUDGETARY BASIS OF ACCOUNTING

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

The statements of receipts, disbursements and changes in fund balance - budget and actual (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 budgetary basis and the cash basis are that:

- (a) 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 (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General
Budget basis	\$ (568,995)
Net adjustment for expenditure accruals	(3,500)
Funds budgeted elsewhere	(2,291)
Year-end encumbrances	581
Cash basis	\$ (574,205)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the public school support fund, and the self-insurance fund.

NOTE 15 - SET- ASIDES

The District is required by State law to annually set-aside certain general fund cash receipt 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. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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NOTE 15 - 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, 2016	\$ -
Current year set-aside requirement	297,907
Current year offsets	<u>(631,116)</u>
Total	<u>\$ (333,209)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 16 - RELATED PARTY TRANSACTION

The District conducts business with Blaine Carmichael Sports, for which the Athletic Director, Sean Carmichael is 50% owner. A legal opinion received by the District on this matter determined the Athletic Director has no influence in the purchase process of athletic equipment from Blaine Carmichael Sports, thus the District could continue to do business with them. The District paid \$59,225 to Blaine Carmichael Sports during fiscal year 2017.

NOTE 17 - 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 fund	\$ 1,726
Nonmajor governmental funds	<u>8,735</u>
Total	<u>\$ 10,461</u>

NOTE 18 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Franklin Township, Plain Township, Wooster Township, the City of Wooster and Killbuck Township have entered into various tax abatement agreements with various companies for the abatement of property taxes to bring jobs and economic development into the area. The agreements affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$9,134 during fiscal year 2017.