



Mary Taylor, CPA
Auditor of State

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 1, 2010

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of Tri-County North Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets decreased \$735,821 from fiscal year 2008.
- General revenues accounted for \$8,696,809 and program revenues in the form of charges for services, operating and capital grants, interest and contributions accounted for \$1,331,220, for total revenues of \$10,028,029.
- The School District had \$10,763,850 in expenses; only \$1,331,220 of these expenses were offset by program specific charges for services, operating and capital grants, interest, and contributions.
- Among major funds, the General Fund had \$8,514,951 in revenues and \$9,206,219 in expenditures. The General Fund's balance decreased \$811,923 over fiscal year 2008.
- The School District made debt payments during the fiscal year of \$310,000 leaving a principal balance of \$320,000 at June 30, 2009. The final debt payments will be made during fiscal year 2010.

Using this Generally Accepted Accounting Principles (GAAP) Report

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

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District reports only governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services, and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Fiduciary Funds

The School District's only fiduciary funds are a private purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2009:

Table 1
Net Assets

Table 1
Net Assets

	Restated 2008	2009	Change
Assets:			
Current and Other Assets	\$10,868,884	\$9,866,699	(\$1,002,185)
Capital Assets, Net	10,629,490	10,373,995	(255,495)
<i>Total Assets</i>	<u>21,498,374</u>	<u>20,240,694</u>	<u>(1,257,680)</u>
Liabilities:			
Other Liabilities	5,770,527	5,509,192	(261,335)
Long-Term Liabilities	1,064,022	803,498	(260,524)
<i>Total Liabilities</i>	<u>6,834,549</u>	<u>6,312,690</u>	<u>(521,859)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,999,490	10,053,995	54,505
Restricted	1,126,894	1,122,420	(4,474)
Unrestricted	3,537,441	2,751,589	(785,852)
<i>Total Net Assets - Restated</i>	<u>\$14,663,825</u>	<u>\$13,928,004</u>	<u>(\$735,821)</u>

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Total assets of governmental activities decreased \$1,257,680, as current assets decreased by \$1,002,185, mainly due to a decrease in cash and cash equivalents and property taxes receivable. Cash decreased because expenses were higher than revenues due to decreases in property tax revenue and State foundation revenue because of the economic downturn. Property taxes receivable decreased because of the phase out of tangible personal property. Capital assets decreased \$255,495 because current fiscal year deletions and depreciation exceeded current fiscal year additions.

Total liabilities decreased \$521,859, as other liabilities decreased \$261,335, mainly due to a decrease in deferred revenue. The decrease in deferred revenue resulted from a decrease in the amount of property tax revenue expected for collection during fiscal year 2010. Long-term liabilities decreased \$260,524 as a result of debt principal payments.

Invested in capital assets, net of related debt increased \$54,505 due to the principal payments made in fiscal year 2009. The decrease of \$785,852 in unrestricted net assets was a result of the decrease in cash and cash equivalents due to decreased revenue as expenses were higher than revenues for fiscal year 2009.

Table 2 shows the changes in net assets for the fiscal years 2008 and 2009.

Table 2
Change in Net Assets

	Restated 2008	2009	Change
Revenues:			
Program Revenues:			
Charges for Services	\$548,442	\$531,067	(\$17,375)
Operating Grants, Interest, and Contributions	823,017	766,184	(56,833)
Capital Grants and Contributions	43,776	33,969	(9,807)
<i>Total Program Revenues</i>	<u>1,415,235</u>	<u>1,331,220</u>	<u>(84,015)</u>
General Revenues:			
Property Taxes	4,203,429	3,976,960	(226,469)
Grants and Entitlements not Restricted to Specific Programs	4,495,516	4,534,031	38,515
Investment Earnings	224,695	163,937	(60,758)
Gifts and Donations	8,027	10,715	2,688
Miscellaneous	51,220	11,166	(40,054)
<i>Total General Revenues</i>	<u>8,982,887</u>	<u>8,696,809</u>	<u>(286,078)</u>
<i>Total Revenues</i>	<u>\$10,398,122</u>	<u>\$10,028,029</u>	<u>(\$370,093)</u>

(continued)

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 2
Changes in Net Assets
 (continued)

	Restated 2008	2009	Change
Program Expenses:			
Instruction:			
Regular	\$5,095,164	\$5,247,131	\$151,967
Special	797,145	854,066	56,921
Vocational	185,397	113,703	(71,694)
Support Services:			
Pupils	537,373	532,458	(4,915)
Instructional Staff	466,235	448,290	(17,945)
Board of Education	18,139	20,313	2,174
Administration	1,085,287	1,108,576	23,289
Fiscal	204,579	223,773	19,194
Operation and Maintenance of Plant	847,977	797,134	(50,843)
Pupil Transportation	536,715	516,501	(20,214)
Central	27,755	29,592	1,837
Operation of Non-Instructional Services	462,207	493,156	30,949
Extracurricular Activities	398,256	352,058	(46,198)
Interest and Fiscal Charges	44,944	27,099	(17,845)
<i>Total Expenses</i>	<u>10,707,173</u>	<u>10,763,850</u>	<u>56,677</u>
<i>Change in Net Assets</i>	(309,051)	(735,821)	(426,770)
<i>Net Assets at Beginning of Year - Restated</i>	14,972,876	14,663,825	(309,051)
<i>Net Assets at End of Year</i>	<u>\$14,663,825</u>	<u>\$13,928,004</u>	<u>(\$735,821)</u>

Governmental Activities

Total revenues decreased \$369,793 or four percent from fiscal year 2008. Property taxes decreased during fiscal year 2009 due to the phase out of tangible personal property tax. The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property Taxes made up 40 percent of revenues for governmental activities for the School District for fiscal year 2009.

In total, expenses remained fairly consistent from fiscal year 2008, increasing only \$55,362 or less than one percent. Instruction comprises 58 percent of School District expenses. Support services expenses make up 34 percent of the expenses. The School District was successful in keeping expenses from increasing during these tough economic times.

Overall, net assets decreased \$735,821 for fiscal year 2009. During fiscal year 2008 this decrease was \$309,051. Current economic conditions have caused the decrease in net assets to increase and the School District is currently exploring all possible options to keep expenses within revenues.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The School District's Funds

All governmental funds had total revenues of \$10,082,315 and expenditures of \$10,769,348, and the major funds make up 86 percent both revenues and expenditures.

The net change in fund balance for the General Fund was a decrease of \$811,923. This is a combination of a decrease in revenues, due to the economy, and an increase in expenditures, due to annual increases in salary. Also, the School District transferred money to support the Permanent Improvement Capital Projects Fund and to balance the Severance Payment Reserve Special Revenue Fund which caused fund balance to decrease.

The Permanent Improvement Capital Projects Fund change in fund balance was an increase of \$99,862. Money in this fund is spent on capital improvements to the building on an as needed basis, and fund balance can fluctuate from fiscal year to fiscal year. A roof project to repair and replace the roof on the School District was started in fiscal year 2008 and completed in fiscal year 2009. This project has depleted this fund and the ending fund balance at June 30, 2009 is \$10,526.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash revenues, expenditures, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, the actual and final budgeted revenues were \$8,462,856, a \$435,832 decrease from the original budgeted revenues estimate of \$8,898,688. The decrease was due to an over estimate of resources during the beginning of the fiscal year, mainly in property taxes, State foundation and interest revenues.

During the course of fiscal year 2009, final appropriations decreased \$169,770 to \$9,305,082, from original appropriations of \$9,474,852, mainly because the School District has historically held conservative ways of spending so that needs can be met with the interest of the taxpayer in mind. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The School District has the basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of the minimum required funds to allow for variances in individual programs that are beneficial for the student body, yet economically sound.

There was no variance between final budget and actual expenditures because prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures.

The General Fund's ending unobligated cash balance was \$209,685 above the final budgeted amount.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Capital Assets

Table 3 shows fiscal year 2008 balances compared to fiscal year 2009.

Table 3
Capital Assets (Net of Depreciation) at June 30,

	Restated 2008	2009
Land	\$508,042	\$508,042
Land Improvements	146,476	126,976
Buildings and Improvements	9,010,187	8,725,511
Furniture, Fixtures, and Equipment	803,249	878,392
Vehicles	161,536	135,074
<i>Totals</i>	\$10,629,490	\$10,373,995

Overall capital assets decreased \$255,495 from fiscal year 2008 to fiscal year 2009 due primarily to current fiscal year depreciation and deletions exceeding current fiscal year additions. For more information on capital assets, refer to Note 11 of the basic financial statements.

Debt Administration

At June 30, 2009, the School District had voted general obligation bonds, originally dated August 1, 1986, that will be retired on December 1, 2009 for the purpose of acquisition, construction, reconstruction, and other improvements for the school building. The OASBO notes were issued April 25, 2002 for the purpose of improving school facilities and will be retired on December 26, 2009. Table 4 summarizes the debt outstanding:

Table 4
Outstanding Debt, at Fiscal Year-End
Governmental Activities

	2008	2009
School Improvement Bonds	\$245,000	\$120,000
OASBO Notes	385,000	200,000
<i>Totals</i>	\$630,000	\$320,000

For more information on the School District's debt, see Note 12 of the Basic Financial Statements.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lynn Ferguson, Treasurer, at Tri-County North Local School District, 436 North Commerce Street, Lewisburg, Ohio 45338 or email at tcbo_lf@swoca.net.

Tri-County North Local School District

Statement of Net Assets

June 30, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,930,806
Accounts Receivable	25,173
Accrued Interest Receivable	32,906
Intergovernmental Receivable	1,915
Inventory of Supplies and Materials	18,624
Inventory Held for Resale	3,298
Property Taxes Receivable	4,853,977
Nondepreciable Capital Assets	508,042
Depreciable Capital Assets, Net	9,865,953
	<hr/>
<i>Total Assets</i>	20,240,694
	<hr/>
Liabilities:	
Accounts Payable	33,265
Accrued Wages and Benefits Payable	841,183
Accrued Vacation Leave Payable	31,647
Accrued Interest Payable	940
Intergovernmental Payable	243,956
Deferred Revenue	4,358,201
Long-Term Liabilities:	
Due Within One Year	322,617
Due In More Than One Year	480,881
	<hr/>
<i>Total Liabilities</i>	6,312,690
	<hr/>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	10,053,995
Restricted for:	
Capital Projects	24,674
Debt Service	527,725
Other Purposes	71,836
Student Activities	51,447
Food Service	52,442
Classroom Facilities Maintenance	177,068
Set-Asides	217,228
Unrestricted	2,751,589
	<hr/>
<i>Total Net Assets</i>	\$13,928,004
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See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction:					
Regular	\$5,247,131	\$145,518	\$81,359	\$0	(\$5,020,254)
Special	854,066	6,202	306,015	0	(541,849)
Vocational	113,703	3,335	11,850	0	(98,518)
Support Services:					
Pupils	532,458	0	139,270	0	(393,188)
Instructional Staff	448,290	0	2,649	0	(445,641)
Board of Education	20,313	0	0	0	(20,313)
Administration	1,108,576	0	520	0	(1,108,056)
Fiscal	223,773	0	0	0	(223,773)
Operation and Maintenance of Plant	797,134	0	8,179	25,405	(763,550)
Pupil Transportation	516,501	0	0	8,564	(507,937)
Central	29,592	0	9,000	0	(20,592)
Operation of Non-Instructional Services	493,156	255,428	202,342	0	(35,386)
Extracurricular Activities	352,058	120,584	5,000	0	(226,474)
Interest and Fiscal Charges	27,099	0	0	0	(27,099)
Totals	\$10,763,850	\$531,067	\$766,184	\$33,969	(9,432,630)
General Revenues:					
Property Taxes Levied for:					
General Purposes					3,534,257
Debt Service					261,000
Capital Outlay					134,138
Classroom Facilities Maintenance					47,565
Grants and Entitlements not Restricted to Specific Programs					4,534,031
Investment Earnings					163,937
Gifts and Donations					10,715
Miscellaneous					11,166
Total General Revenues					8,696,809
Change in Net Assets					(735,821)
Net Assets at Beginning of Year - Restated - Note 18					14,663,825
Net Assets at End of Year					\$13,928,004

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District

Balance Sheet
Governmental Funds
June 30, 2009

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,765,746	\$1,040	\$940,423	\$4,707,209
Receivables:				
Property Taxes	4,333,141	158,074	362,762	4,853,977
Accounts	3,618	0	21,555	25,173
Intergovernmental	1,915	0	0	1,915
Accrued Interest	32,906	0	0	32,906
Inventory of Supplies and Materials	14,108	0	4,516	18,624
Inventory Held for Resale	0	0	3,298	3,298
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	223,597	0	0	223,597
<i>Total Assets</i>	<u>\$8,375,031</u>	<u>\$159,114</u>	<u>\$1,332,554</u>	<u>\$9,866,699</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$23,426	\$199	\$9,640	\$33,265
Accrued Wages and Benefits Payable	821,667	0	19,516	841,183
Intergovernmental Payable	229,121	0	14,835	243,956
Deferred Revenue	4,069,695	148,389	360,845	4,578,929
<i>Total Liabilities</i>	<u>5,143,909</u>	<u>148,588</u>	<u>404,836</u>	<u>5,697,333</u>
Fund Balances:				
Reserved for Encumbrances	118,714	0	44,443	163,157
Reserved for Property Taxes	267,313	9,685	22,894	299,892
Reserved for Textbooks and Instructional Materials	181,218	0	0	181,218
Reserved for Budget Stabilization	36,010	0	0	36,010
Reserved for Bus Purchases	6,369	0	0	6,369
Unreserved, Designated for Termination Benefits	0	0	87,294	87,294
Unreserved, Undesignated, Reported in:				
General Fund	2,621,498	0	0	2,621,498
Special Revenue Funds	0	0	275,915	275,915
Debt Service Fund	0	0	497,172	497,172
Capital Projects Fund	0	841	0	841
<i>Total Fund Balances</i>	<u>3,231,122</u>	<u>10,526</u>	<u>927,718</u>	<u>4,169,366</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,375,031</u>	<u>\$159,114</u>	<u>\$1,332,554</u>	<u>\$9,866,699</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances \$4,169,366

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	508,042	
Land Improvements	539,688	
Buildings and Improvements	13,893,792	
Furniture, Fixtures, and Equipment	3,548,447	
Vehicles	746,524	
Accumulated Depreciation	(8,862,498)	
Total Capital Assets	10,373,995	10,373,995

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes	195,884	
Investment Earnings	3,867	
Charges for Services	2,860	
Tuition and Fees	18,117	
	220,728	220,728

Long-term liabilities, including bonds, notes payable, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest Payable	(940)	
General Obligation Bonds Payable	(120,000)	
OASBO Notes Payable	(200,000)	
Accrued Vacation Leave Payable	(31,647)	
Compensated Absences	(483,498)	
Total Liabilities	(836,085)	(836,085)

Net Assets of Governmental Activities \$13,928,004

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$3,590,348	\$136,070	\$313,676	\$4,040,094
Intergovernmental	4,647,148	25,405	662,734	5,335,287
Investment Earnings	160,070	0	897	160,967
Tuition and Fees	88,161	0	50,638	138,799
Rent	11,312	0	0	11,312
Extracurricular Activities	0	0	120,584	120,584
Gifts and Donations	9,510	0	1,205	10,715
Charges for Services	0	0	253,391	253,391
Miscellaneous	8,402	0	2,764	11,166
<i>Total Revenues</i>	<u>8,514,951</u>	<u>161,475</u>	<u>1,405,889</u>	<u>10,082,315</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,713,284	49,206	144,125	4,906,615
Special	715,008	0	138,988	853,996
Vocational	101,050	0	25,972	127,022
Support Services:				
Pupils	387,235	0	142,652	529,887
Instructional Staff	437,019	0	9,076	446,095
Board of Education	20,313	0	0	20,313
Administration	1,065,585	0	5,500	1,071,085
Fiscal	205,252	4,017	8,987	218,256
Operation and Maintenance of Plant	766,707	35,500	42,252	844,459
Pupil Transportation	552,244	5,926	151	558,321
Central	20,592	0	9,000	29,592
Operation of Non-Instructional Services	0	0	485,140	485,140
Extracurricular Activities	221,930	0	118,579	340,509
Debt Service:				
Principal Retirement	0	0	310,000	310,000
Interest and Fiscal Charges	0	0	28,058	28,058
<i>Total Expenditures</i>	<u>9,206,219</u>	<u>94,649</u>	<u>1,468,480</u>	<u>10,769,348</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(691,268)</u>	<u>66,826</u>	<u>(62,591)</u>	<u>(687,033)</u>
Other Financing Sources (Uses):				
Transfer In	0	33,036	87,619	120,655
Transfer Out	(120,655)	0	0	(120,655)
<i>Total Other Financing Sources (Uses)</i>	<u>(120,655)</u>	<u>33,036</u>	<u>87,619</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(811,923)	99,862	25,028	(687,033)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>4,043,045</u>	<u>(89,336)</u>	<u>902,690</u>	<u>4,856,399</u>
<i>Fund Balances at End of Year</i>	<u>\$3,231,122</u>	<u>\$10,526</u>	<u>\$927,718</u>	<u>\$4,169,366</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (\$687,033)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	261,266	
Depreciation Expense	(513,824)	
Excess of Depreciation Expense Over Capital Outlay		(252,558)

The cost of disposed capital assets is removed from the capital assets account on the statement of net assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(2,937)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

General Obligation Bond Principal Payments	125,000	
OASBO Note Principal Payments	185,000	
		310,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest on the statement of activities is the result of the following.

Decrease in Accrued Interest		959
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Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	(63,134)	
Intergovernmental	(2,000)	
Tuition and Fees	4,944	
Investment Earnings	3,867	
Charges for Services	2,037	
Total		(54,286)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

These activities consist of:

Increase in Accrued Vacation Leave Payable	(490)	
Increase in Compensated Absences	(49,476)	
		(49,966)

Change in Net Assets of Governmental Activities (\$735,821)

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$3,817,207	\$3,546,974	\$3,546,974	\$0
Intergovernmental	4,748,011	4,651,143	4,651,143	0
Investment Earnings	238,607	137,131	137,131	0
Tuition and Fees	73,101	105,971	105,971	0
Rent	5,000	11,312	11,312	0
Gifts and Donations	6,440	9,270	9,270	0
Miscellaneous	10,322	1,055	1,055	0
<i>Total Revenues</i>	<u>8,898,688</u>	<u>8,462,856</u>	<u>8,462,856</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,687,194	4,713,224	4,713,224	0
Special	701,776	720,707	720,707	0
Vocational	101,254	115,584	115,584	0
Support Services:				
Pupils	390,469	378,074	378,074	0
Instructional Staff	443,984	431,770	431,770	0
Board of Education	51,684	20,313	20,313	0
Administration	1,138,937	1,080,641	1,080,641	0
Fiscal	227,262	209,920	209,920	0
Operation and Maintenance of Plant	853,810	812,669	812,669	0
Pupil Transportation	603,527	574,878	574,878	0
Central	32,720	20,592	20,592	0
Extracurricular Activities	242,235	226,710	226,710	0
<i>Total Expenditures</i>	<u>9,474,852</u>	<u>9,305,082</u>	<u>9,305,082</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(576,164)</u>	<u>(842,226)</u>	<u>(842,226)</u>	<u>0</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	39,053	20,754	20,754	0
Transfers Out	(87,619)	(120,655)	(120,655)	0
Advances In	0	0	209,685	209,685
Advances Out	0	(82,850)	(82,850)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(48,566)</u>	<u>(182,751)</u>	<u>26,934</u>	<u>209,685</u>
<i>Net Change in Fund Balance</i>	(624,730)	(1,024,977)	(815,292)	209,685
<i>Fund Balance at Beginning of Year</i>	4,472,460	4,472,460	4,472,460	0
<i>Prior Year Encumbrances Appropriated</i>	<u>198,158</u>	<u>198,158</u>	<u>198,158</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$4,045,888</u>	<u>\$3,645,641</u>	<u>\$3,855,326</u>	<u>\$209,685</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$13,031	<u><u>\$55,394</u></u>
Liabilities:		
Current Liabilities:		
Due to Students	<u>0</u>	<u><u>\$55,394</u></u>
Net Assets:		
Held in Trust for Scholarships	<u><u>\$13,031</u></u>	

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Interest	\$500
Deductions:	
Payments in Accordance with Trust Agreements	500
<i>Changes in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	13,031
<i>Net Assets at End of Year</i>	\$13,031

See Accompanying Notes to the Basic Financial Statements

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Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tri-County North Local School District (the “School District”) was created from the northern half of the Twin Valley School District in 1983. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District currently operates one instructional building, a district office, and a bus garage. The School District is staffed by 52 classified employees and 81 certified full-time personnel who provide services to 1,095 students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools and one shared risk pool. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

- Jointly Governed Organizations:
 - Southwest Ohio Computer Association
 - Southwestern Ohio Educational Purchasing Council
 - Southwestern Ohio Instructional Technology Association

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Ohio School Plan

Shared Risk Pool:

Preble County Schools Regional Council of Governments

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Tri-County North Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The School District, however, has no activities which are reported as business-type.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds:

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Improvement Fund - The Permanent Improvement Capital Projects Fund accounts for the acquisition, construction or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements:

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

The private purpose trust fund is reported using the economic resources measurement focus.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2009, the School District invested in negotiable certificates of deposits which are reported at fair value.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$160,070, which includes \$32,059 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, for budget stabilization, and unspent revenues restricted for the purchase of buses.

H. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-25 years
Buildings and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-term Obligations

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

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

J. Compensated Absences

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

Vacation leave is accumulated by employees at the applicable vacation rate based on the employees' years of service. The School District will record the liability "Accrued Vacation Leave Payable" for the balance at the end of the fiscal year. School District employees cannot carry vacation leave balances over to the next calendar year.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and student activities and federal and State grants restricted to expenditures for specified purposes.

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

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. The School District also has fund balance designations. Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, budget stabilization, and bus purchases. A designation of fund balance has been established for future severance payments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

M. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

N. Estimates

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

O. Budgetary Process

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenues are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all funds.

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 3 – ACCOUNTABILITY

At June 30, 2009, the Title VI-B and Title I Special Revenue Funds had deficit fund balances of \$5,746 and \$143, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget and actual – budget basis is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded cash represents amounts received and spent but not included on the budget basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

	<u>General</u>
GAAP Basis	(\$811,923)
Net Adjustments for Revenue Accruals	(10,030)
Net Adjustments for Expenditure Accruals	(48,838)
Unrecorded Cash FY 2008	(22,453)
Unrecorded Cash FY 2009	1,142
Advances	209,685
Adjustment for Encumbrances	<u>(132,875)</u>
Budget Basis	<u><u>(\$815,292)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies 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 held by the School District 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;

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Investments

At June 30, 2009, the School District had \$900,000 invested in negotiable certificates of deposit with Fifth Third Securities all of which mature in less than one year.

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Concentration of Credit Risk:

The School District places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in calendar year 2009 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke, Montgomery and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$267,313 in the General Fund, \$9,685 in the Permanent Improvement Fund, and \$22,894 in the Other Governmental Funds. The amount available as an advance at June 30, 2008, was \$223,939 in the General Fund, \$8,070 in the Permanent Improvement Fund, and \$19,592 in the Other Governmental Funds.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$102,693,120	87.63%	\$120,749,040	95.46%
Public Utility Personal	5,506,100	4.70%	5,743,220	4.54%
General Business Personal	8,983,551	7.67%	0	0.00%
Total Assessed Value	<u>\$117,182,771</u>	<u>100.00%</u>	<u>\$126,492,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.43		\$45.43	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, accounts (tuition and student fees), intergovernmental, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The only intergovernmental receivable during the year was \$1,915 for transportation reimbursement.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Ohio Casualty for property, liability, fleet insurance, and inland marine coverage.

Coverage provided by Ohio Casualty is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$27,270,585
Bus Fleet – Comprehensive and Collision	1,000,000
Uninsured Motorists - Each Occurrence	1,000,000

During fiscal year 2009, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 14).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Violence Coverage Liability Limit	
Each Occurrence Limit	\$1,000,000
Aggregate Limit	1,000,000
Violent Act Limit	1,000,000
Death Benefit Aggregate Limit	1,000,000
Educational General Liability	
Bodily Injury and Property Damage - Each Occurrence	5,000,000
Personal and Advertising Injury Limit	5,000,000
Fire Damage Limit	500,000
General Aggregate Limit	7,000,000
Products – Completed Operations Aggregate Limit	5,000,000
Employers Liability Stop Gap	
Employers Liability Stop Gap-Each Accident Limit	5,000,000
Employers Liability Stop Gap-Per Disease-Each Employee Limit	5,000,000
Employee Benefits Liability-Claims Made From	
Each Offense Limit (\$2,500 deductible)	5,000,000
Employee Benefits Aggregate Limit (\$2,500 deductible)	7,000,000
Educational Legal Liability Coverage	
Errors and Omissions Injury Limit	5,000,000
Aggregate Limit (\$2,500 deductible)	7,000,000
Employment Practices Injury Limit	5,000,000
Aggregate Limit	7,000,000

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 8 - RISK MANAGEMENT (continued)

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

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2009, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$120,629, \$109,063 and \$130,765 respectively; 51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$597,848, \$591,416, and \$566,302 respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$17,069 made by the School District and \$28,115 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$81,101, \$68,654, and \$64,695, respectively; 51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,953, \$7,858, and \$8,480 respectively; 51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing, multiple employer defined benefit Health 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 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 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$45,988, \$45,494, and \$43,562 respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 11 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance 6/30/08	Additions	Deductions	Balance 6/30/09
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$508,042	\$0	\$0	\$508,042
Capital Assets, Being Depreciated:				
Land Improvements	537,588	2,100	0	539,688
Buildings and Improvements	13,893,792	0	0	13,893,792
Furniture, Fixtures, and Equipment	3,492,087	259,166	(202,806)	3,548,447
Vehicles	778,096	0	(31,572)	746,524
Total Capital Assets, Being Depreciated	<u>18,701,563</u>	<u>261,266</u>	<u>(234,378)</u>	<u>18,728,451</u>
Less Accumulated Depreciation:				
Land Improvements	(391,112)	(21,600)	0	(412,712)
Buildings and Improvements	(4,883,605)	(284,676)	0	(5,168,281)
Furniture, Fixtures, and Equipment	(2,688,838)	(181,086)	199,869	(2,670,055)
Vehicles	(616,560)	(26,462)	31,572	(611,450)
Total Accumulated Depreciation	<u>(8,580,115)</u>	<u>(513,824) *</u>	<u>231,441</u>	<u>(8,862,498)</u>
Capital Assets, Being Depreciated, Net	<u>10,121,448</u>	<u>(252,558)</u>	<u>(2,937)</u>	<u>9,865,953</u>
Governmental Activities Capital Assets, Net	<u>\$10,629,490</u>	<u>(\$252,558)</u>	<u>(\$2,937)</u>	<u>\$10,373,995</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$394,857
Vocational	70
Support Services:	
Instructional Staff	624
Administration	32,062
Fiscal	1,242
Operation and Maintenance of Plant	20,092
Pupil Transportation	43,001
Operation of Non-Instructional Services	9,348
Extracurricular Activities	12,528
Total Depreciation Expense	<u>\$513,824</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due Within One Year
<u>Governmental Activities:</u>					
School Improvement Bonds					
1986 8.125%	\$245,000	\$0	\$125,000	\$120,000	\$120,000
OASBO Notes					
2002 4.28%	385,000	0	185,000	200,000	200,000
Compensated Absences	434,022	100,471	50,995	483,498	2,617
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,064,022</u>	<u>\$100,471</u>	<u>\$360,995</u>	<u>\$803,498</u>	<u>\$322,617</u>

School Improvement Bonds:

On August 1, 1986, Tri-County North Local School District issued \$2,815,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and other improvements to the school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2009. The debt will be retired from the Bond Retirement Fund.

OASBO Notes:

The OASBO Notes were issued by the Rickenbacker Port Authority as part of the Ohio Association of School Business Officials Expanded Asset Pooled Financing Program. The Port Authority has entered into a trust agreement with Chase Manhattan Trust Company (the trustee) assigning payments to be received to the trustee and authorizing the issuance and sale of bonds constituting special obligations of the Port Authority payable solely from the trust estate. Therefore, the School District makes principal and interest payments to Chase Manhattan Trust Company. The notes were issued April 25, 2002, for the purpose of constructing and improving school facilities and providing equipment, furnishings and site improvements. The debt will mature December 26, 2009, and will be retired from the Bond Retirement Fund.

Compensated Absences will be paid from the Severance Payment Reserve Fund.

The School District's overall legal debt margin was \$11,581,037, with an unvoted debt margin of \$126,492 at June 30, 2009.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	School Improvement Bond Principal	School Improvement Bond Interest	OASBO Notes Principal	OASBO Notes Interest
2010	\$120,000	\$4,875	\$200,000	\$4,580

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Vacation balances do not carry over to the next calendar year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for certified employees and 280 for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 85 days for classified employees and 70 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Anthem Life.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL

A. Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$28,164 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2009, the School District paid \$1,749 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL (continued)

Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2009, the School District paid \$905 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all other participating members. The chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL (continued)

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

C. Shared Risk Pool

Preble County Schools Regional Council of Governments:

The Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center for the purpose of achieving lower rates for medical insurance. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Council and their designated insurance company. The Council is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Council may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Council. Financial information can be obtained from Teresa Freeman, who serves as Treasurer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

NOTE 15 - SET-ASIDE CALCULATION

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set aside for this purpose.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 15 - SET-ASIDE CALCULATION (continued)

The following cash basis information describes the change in the fiscal year-end set-aside amounts for budget stabilization, textbooks and instructional materials, and capital improvements. Disclosure of this information is required by State statute.

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2008	\$36,010	\$169,767	\$0
Current Fiscal Year Set-aside Requirement	0	171,017	171,017
Qualifying Disbursements	0	(159,566)	0
Current Fiscal Year Offsets	<u>0</u>	<u>0</u>	<u>(194,496)</u>
Total	<u>\$36,010</u>	<u>\$181,218</u>	<u>(\$23,479)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$36,010</u>	<u>\$181,218</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$36,010</u>	<u>\$181,218</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount of offsets may not be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$217,228.

NOTE 16 - CONTINGENCIES

A. Grants

The School District received 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The School District is not currently party to any legal proceedings.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 17 – INTERFUND ACTIVITY

The General Fund had transfers to the Permanent Improvement Capital Projects Fund and Other Governmental Funds of \$33,036 and \$87,619. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

NOTE 18 – RESTATEMENT OF NET ASSETS

During fiscal year 2009, errors in the prior year calculation of capital assets were discovered. This restatement had the following effect on net assets at June 30, 2008 as previously reported.

Net Assets at June 30, 2008	\$14,640,391
Capital Assets	<u>23,434</u>
Restated Net assets at June 30, 2008	<u><u>\$14,663,825</u></u>

NOTE 19 - SUBSEQUENT EVENT

The School District retired the 1986 School Improvement Bonds in December 2009.

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2009	10.555		\$33,210		\$30,522
Cash Assistance: National School Breakfast Program	2009	10.553	\$27,837		\$27,837	
National School Lunch Program	2009	10.555	<u>136,372</u>		<u>136,372</u>	
Total Child Nutrition Cluster			<u>164,209</u>	<u>33,210</u>	<u>164,209</u>	<u>30,522</u>
Total U.S. Department of Agriculture			<u>164,209</u>	<u>33,210</u>	<u>164,209</u>	<u>30,522</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	2009	84.027	178,185		178,185	
Special Education - Preschool Grant	2009	84.173	<u>3,250</u>		<u>3,250</u>	
Total Special Education Cluster			<u>181,435</u>		<u>181,435</u>	
Grants to Local Educational Agencies (ESEA Title I)	2009	84.010	92,954		92,954	
Technology Literacy Challenge	2009	84.318	871		871	
Drug Free Schools	2009	84.186	2,649		2,649	
Improving Teacher Quality	2009	84.367	52,976		45,792	
	2008				<u>6,148</u>	
Total Improving Teacher Quality			<u>52,976</u>		<u>51,940</u>	
Innovative Education Program Strategies	2009	84.298	<u>837</u>		<u>837</u>	
Total U.S. Department of Education			<u>331,722</u>		<u>330,686</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$495,931</u>	<u>\$33,210</u>	<u>\$494,895</u>	<u>\$30,522</u>

The accompanying notes to this schedule are an integral part of this schedule.

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School District's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

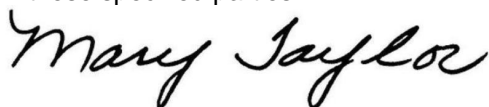
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

We noted a certain matter that we reported to the School District's management in a separate letter dated March 1, 2010.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 1, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

To the Board of Education:

Compliance

We have audited the compliance of Tri-County North Local School District, Preble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Tri-County North Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 1, 2010

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: CFDA #84.027 CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Tri-County North Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on June 30, 2008.
2. We read the policy, noting it included the following requirements, from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 1, 2010



Mary Taylor, CPA
Auditor of State

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2010