



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST  
Auditor of State

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**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, 2010, 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, 2010, 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 December 22, 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.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 22, 2010



**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

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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, 2010. 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 fiscal year 2010 are as follows:

- The School District paid off the remaining balance of the long-term debt and is debt free as of June 30, 2010.
- The voters approved a 2.8 mill emergency levy that began collections in the General Fund during fiscal year 2010. The School District was collecting a 2.8 mill bond levy, which expired during fiscal year 2010 because the debt was paid off, so overall no new property tax revenue was collected, just a shift in how the revenue can be used.

### **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.

### **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 2010?" 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.

**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page eight. 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.

*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 2010 compared to fiscal year 2009:

**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

Table 1  
Net Assets

	2010	2009	Change
<b>Assets:</b>			
Current and Other Assets	\$9,737,866	\$9,866,699	(\$128,833)
Capital Assets, Net	10,093,197	10,373,995	(280,798)
<i>Total Assets</i>	<u>19,831,063</u>	<u>20,240,694</u>	<u>(409,631)</u>
<b>Liabilities:</b>			
Other Liabilities	5,739,608	5,509,192	230,416
Long-Term Liabilities	503,481	803,498	(300,017)
<i>Total Liabilities</i>	<u>6,243,089</u>	<u>6,312,690</u>	<u>(69,601)</u>
<b>Net Assets:</b>			
Invested in Capital Assets	10,093,197	10,053,995	39,202
Restricted	1,060,291	1,122,420	(62,129)
Unrestricted	2,434,486	2,751,589	(317,103)
<i>Total Net Assets</i>	<u>\$13,587,974</u>	<u>\$13,928,004</u>	<u>(\$340,030)</u>

Total assets of governmental activities decreased \$409,631, as current assets decreased \$128,833, mainly due to a decrease in cash and cash equivalents. Cash decreased because expenses were higher than revenues. Capital assets decreased \$280,798 because depreciation exceeded additions.

Total liabilities decreased \$69,601. Long-term liabilities decreased \$300,017 because all long-term debt was paid off. At June 30, 2010, long-term liabilities consist of the liability for compensated absences.

Unrestricted net assets are made up primarily of the General Fund's balance. Although this amount decreased again in fiscal year 2010, the decrease was less than previous fiscal years' decreases. The collection of the additional property tax revenue and cuts in expenses has reduced the amount of deficit spending the School District has been experiencing in prior fiscal years.

Table 2 shows the changes in net assets for the fiscal years 2010 and 2009.

Table 2  
Change in Net Assets

	2010	2009	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$558,502	\$531,067	\$27,435
Operating Grants, Interest and Contributions	1,152,852	766,184	386,668
Capital Grants and Contributions	69,464	33,969	35,495
<i>Total Program Revenues</i>	<u>1,780,818</u>	<u>1,331,220</u>	<u>449,598</u>
General Revenues:			
Property Taxes	3,936,285	3,976,960	(40,675)
Grants and Entitlements not Restricted to Specific Programs	4,764,999	4,534,031	230,968
Interest	62,355	163,937	(101,582)
Gifts and Donations	6,741	10,715	(3,974)
Miscellaneous	34,867	11,166	23,701
<i>Total General Revenues</i>	<u>8,805,247</u>	<u>8,696,809</u>	<u>108,438</u>
<i>Total Revenues</i>	<u>\$10,586,065</u>	<u>\$10,028,029</u>	<u>\$558,036</u>

(continued)

**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

Table 2  
Changes in Net Assets  
(continued)

	2010	2009	Change
<b>Program Expenses:</b>			
Instruction:			
Regular	\$5,189,559	\$5,247,131	(\$57,572)
Special	966,074	854,066	112,008
Vocational	102,912	113,703	(10,791)
Support Services:			
Pupils	577,829	532,458	45,371
Instructional Staff	493,784	448,290	45,494
Board of Education	21,801	20,313	1,488
Administration	1,131,824	1,108,576	23,248
Fiscal	226,203	223,773	2,430
Operation and Maintenance of Plant	837,568	797,134	40,434
Pupil Transportation	522,392	516,501	5,891
Central	29,200	29,592	(392)
Operation of Non-Instructional Services	427,702	493,156	(65,454)
Extracurricular Activities	390,732	352,058	38,674
Interest and Fiscal Charges	8,515	27,099	(18,584)
<i>Total Expenses</i>	<u>10,926,095</u>	<u>10,763,850</u>	<u>\$162,245</u>
<i>Change in Net Assets</i>	(340,030)	(735,821)	
<i>Net Assets at Beginning of Year</i>	<u>13,928,004</u>	<u>14,663,825</u>	
<i>Net Assets at End of Year</i>	<u>\$13,587,974</u>	<u>\$13,928,004</u>	

**Governmental Activities**

Total revenues increased \$558,036 or six percent from fiscal year 2009, mainly the result of additional revenue received in the form of federal bail-out money received through grants. 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 37 percent of revenues for governmental activities for the School District for fiscal year 2010.

In total, expenses remained fairly consistent from fiscal year 2009, increasing only \$162,245, or two percent, due mainly to inflation and increased costs of employee benefits. The School District was successful in keeping expenses from increasing significantly during these tough economic times.

Overall, net assets decreased \$340,030 for fiscal year 2010. During fiscal year 2009 this decrease was \$735,821. Through controlling expenses and additional money received through federal grant programs, the School District was able to reduce the deficit spending amount.

**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

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**The School District's Funds**

Major funds for the School District consist of the General and the Permanent Improvement Funds. The General Fund is the chief operating fund for the School District and accounts for 82 percent of all expenditures made during fiscal year 2010. The Permanent Improvement Fund accounts for property tax revenue collected and held to make improvements to the School District's facilities.

The net change in fund balance for the General Fund was a decrease of \$158,648, much less than the decrease during fiscal year 2009 of \$811,923. This was the result of the additional property tax revenue being received, as well as reducing expenditures through budget cuts.

The Permanent Improvement Capital Projects Fund change in fund balance was an increase of \$457,767. 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 2009 and completed in fiscal year 2010. The School District transferred the leftover balance of the Bond Retirement Fund into this fund once the final debt payments were made.

**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 \$8,729,752, a \$236,723 increase from the original budgeted revenues estimate. The increase was due to an under estimate of resources during the beginning of the fiscal year, mainly in property tax reimbursements and State foundation revenues.

During the course of fiscal year 2010, final appropriations increased \$88,280 to \$9,852,615, mainly because of increases due to inflation. 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.

**Tri-County North Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

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**Capital Assets**

Table 3 shows fiscal year 2010 balances compared to fiscal year 2009.

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

	<u>2010</u>	<u>2009</u>
Land	\$508,042	\$508,042
Land Improvements	105,918	126,976
Buildings and Improvements	8,449,541	8,725,511
Furniture, Fixtures, and Equipment	920,628	878,392
Vehicles	109,068	135,074
<i>Totals</i>	<u>\$10,093,197</u>	<u>\$10,373,995</u>

Overall capital assets decreased \$280,798 from fiscal year 2009 to fiscal year 2010 because of current fiscal year depreciation exceeding current fiscal year additions. For more information on capital assets, refer to Note 11 of the basic financial statements.

**Debt Administration**

During the fiscal year, the School District made principal payments of \$120,000 on the School Improvement Bonds, and \$200,000 on the OASBO Notes which paid off both debt issues. As of June 30, 2010 the School District has no debt outstanding.

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

**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](mailto:tcbo_lf@swoca.net).

**Tri-County North Local School District**

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,633,736
Accounts Receivable	32,450
Accrued Interest Receivable	26,973
Intergovernmental Receivable	25,975
Inventory of Supplies and Materials	17,527
Inventory Held for Resale	9,373
Property Taxes Receivable	4,991,832
Nondepreciable Capital Assets	508,042
Depreciable Capital Assets, Net	<u>9,585,155</u>
<i>Total Assets</i>	<u>19,831,063</u>
<b>Liabilities:</b>	
Accounts Payable	46,005
Accrued Wages and Benefits Payable	853,138
Matured Compensated Absences Payable	34,424
Accrued Vacation Leave Payable	34,073
Intergovernmental Payable	285,975
Deferred Revenue	4,485,993
Long-Term Liabilities:	
Due Within One Year	4,522
Due In More Than One Year	<u>498,959</u>
<i>Total Liabilities</i>	<u>6,243,089</u>
<b>Net Assets:</b>	
Invested in Capital Assets	10,093,197
Restricted for:	
Capital Projects	480,124
Other Purposes	104,835
Student Activities	48,582
Food Service	34,199
Classroom Facilities Maintenance	159,771
Set-Asides	232,780
Unrestricted	<u>2,434,486</u>
<i>Total Net Assets</i>	<u><u>\$13,587,974</u></u>

See Accompanying Notes to the Basic Financial Statements

**Tri-County North Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants, Interest and and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$5,189,559	\$182,288	\$354,166	\$0	(\$4,653,105)
Special	966,074	0	325,693	0	(640,381)
Vocational	102,912	3,220	11,937	0	(87,755)
Support Services:					
Pupils	577,829	0	146,966	0	(430,863)
Instructional Staff	493,784	0	2,577	0	(491,207)
Board of Education	21,801	0	0	0	(21,801)
Administration	1,131,824	0	5,500	0	(1,126,324)
Fiscal	226,203	0	0	0	(226,203)
Operation and Maintenance of Plant	837,568	0	110,441	69,464	(657,663)
Pupil Transportation	522,392	0	0	0	(522,392)
Central	29,200	0	6,859	0	(22,341)
Operation of Non-Instructional Services	427,702	216,550	188,713	0	(22,439)
Extracurricular Activities	390,732	156,444	0	0	(234,288)
Interest and Fiscal Charges	8,515	0	0	0	(8,515)
<b>Totals</b>	<b>\$10,926,095</b>	<b>\$558,502</b>	<b>\$1,152,852</b>	<b>\$69,464</b>	<b>(9,145,277)</b>
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					3,722,897
Debt Service					73,544
Capital Outlay					127,017
Classroom Facilities Maintenance					12,827
Grants and Entitlements not Restricted to Specific Programs					4,764,999
Interest					62,355
Gifts and Donations					6,741
Miscellaneous					34,867
<b>Total General Revenues</b>					<b>8,805,247</b>
<b>Change in Net Assets</b>					<b>(340,030)</b>
<b>Net Assets at Beginning of Year</b>					<b>13,928,004</b>
<b>Net Assets at End of Year</b>					<b>\$13,587,974</b>

See Accompanying Notes to the Basic Financial Statements



**Tri-County North Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,484,796	\$466,896	\$442,895	\$4,394,587
Receivables:				
Property Taxes	4,812,301	179,531	0	4,991,832
Accounts	1,681	0	30,769	32,450
Intergovernmental	0	0	25,975	25,975
Accrued Interest	26,973	0	0	26,973
Inventory of Supplies and Materials	17,527	0	0	17,527
Inventory Held for Resale	0	0	9,373	9,373
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	239,149	0	0	239,149
<b>Total Assets</b>	<b>\$8,582,427</b>	<b>\$646,427</b>	<b>\$509,012</b>	<b>\$9,737,866</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$28,736	\$11,997	\$5,272	\$46,005
Accrued Wages and Benefits Payable	795,420	0	57,718	853,138
Intergovernmental Payable	269,290	0	16,685	285,975
Deferred Revenue	4,416,507	166,137	101,256	4,683,900
Matured Compensated Absences Payable	0	0	34,424	34,424
<b>Total Liabilities</b>	<b>5,509,953</b>	<b>178,134</b>	<b>215,355</b>	<b>5,903,442</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	831,236	173,676	33,629	1,038,541
Reserved for Property Taxes	398,635	13,394	0	412,029
Reserved for Textbooks and Instructional Materials	196,770	0	0	196,770
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	29,331	29,331
Unreserved, Undesignated, Reported in:				
General Fund	1,603,454	0	0	1,603,454
Special Revenue Funds	0	0	230,697	230,697
Capital Projects Fund	0	281,223	0	281,223
<b>Total Fund Balances</b>	<b>3,072,474</b>	<b>468,293</b>	<b>293,657</b>	<b>3,834,424</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,582,427</b>	<b>\$646,427</b>	<b>\$509,012</b>	<b>\$9,737,866</b>

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, 2010

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<b>Total Governmental Fund Balances</b>	<b>\$3,834,424</b>
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***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	540,239	
Buildings and Improvements	13,904,016	
Furniture, Fixtures, and Equipment	3,737,346	
Vehicles	746,524	
Accumulated Depreciation	<u>(9,342,970)</u>	
<b>Total Capital Assets</b>		<b>10,093,197</b>

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

Property Taxes	148,540	
Interest	2,841	
Intergovernmental	17,251	
Tuition and Fees	20,332	
Miscellaneous	<u>8,943</u>	
		<b>197,907</b>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Vacation Leave Payable	(34,073)	
Compensated Absences	<u>(503,481)</u>	
<b>Total Liabilities</b>		<b><u>(537,554)</u></b>

<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$13,587,974</u></u></b>
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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, 2010

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$3,753,756	\$129,334	\$100,539	\$3,983,629
Intergovernmental	4,874,949	69,464	1,025,337	5,969,750
Interest	63,381	0	314	63,695
Tuition and Fees	138,441	0	36,052	174,493
Rent	8,800	0	0	8,800
Extracurricular Activities	0	0	156,444	156,444
Gifts and Donations	5,447	0	1,294	6,741
Charges for Services	0	0	219,410	219,410
Miscellaneous	12,261	10,000	3,663	25,924
<i>Total Revenues</i>	<u>8,857,035</u>	<u>208,798</u>	<u>1,543,053</u>	<u>10,608,886</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,566,018	31,640	447,098	5,044,756
Special	755,491	0	178,542	934,033
Vocational	96,752	0	3,414	100,166
Support Services:				
Pupils	415,748	0	159,434	575,182
Instructional Staff	465,132	0	8,941	474,073
Board of Education	21,801	0	0	21,801
Administration	1,086,952	2,763	5,500	1,095,215
Fiscal	213,765	6,709	3,500	223,974
Operation and Maintenance of Plant	659,905	30,296	131,670	821,871
Pupil Transportation	472,047	0	0	472,047
Central	22,341	0	6,859	29,200
Operation of Non-Instructional Services	0	0	437,126	437,126
Extracurricular Activities	232,472	0	152,457	384,929
Debt Service:				
Principal Retirement	0	0	320,000	320,000
Interest and Fiscal Charges	0	0	9,455	9,455
<i>Total Expenditures</i>	<u>9,008,424</u>	<u>71,408</u>	<u>1,863,996</u>	<u>10,943,828</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(151,389)</u>	<u>137,390</u>	<u>(320,943)</u>	<u>(334,942)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer In	0	320,377	1,024	321,401
Transfer Out	(7,259)	0	(314,142)	(321,401)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,259)</u>	<u>320,377</u>	<u>(313,118)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(158,648)</u>	<u>457,767</u>	<u>(634,061)</u>	<u>(334,942)</u>
<i>Fund Balances at Beginning of Year</i>	<u>3,231,122</u>	<u>10,526</u>	<u>927,718</u>	<u>4,169,366</u>
<i>Fund Balances at End of Year</i>	<u><u>\$3,072,474</u></u>	<u><u>\$468,293</u></u>	<u><u>\$293,657</u></u>	<u><u>\$3,834,424</u></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, 2010

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**Net Change in Fund Balances - Total Governmental Funds** (\$334,942)

***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	199,674	
Depreciation Expense	(480,472)	
		(280,798)

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	120,000	
OASBO Note Principal Payments	200,000	
		320,000

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		940
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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	(47,344)	
Interest	(1,026)	
Intergovernmental	17,251	
Tuition and Fees	2,215	
Charges for Services	(2,860)	
Miscellaneous	8,943	
Total		(22,821)

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	(2,426)	
Increase in Compensated Absences	(19,983)	
		(22,409)

*Change in Net Assets of Governmental Activities* (\$340,030)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$3,749,509	\$3,622,434	\$3,622,434	\$0
Intergovernmental	4,465,609	4,874,949	4,874,949	0
Interest	140,180	69,057	69,057	0
Tuition and Fees	105,971	138,441	138,441	0
Rent	11,312	8,800	8,800	0
Gifts and Donations	9,393	5,592	5,592	0
Miscellaneous	11,055	10,479	10,479	0
<i>Total Revenues</i>	<u>8,493,029</u>	<u>8,729,752</u>	<u>8,729,752</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,874,025	5,141,415	5,141,415	0
Special	788,639	813,486	813,486	0
Vocational	104,232	105,811	105,811	0
Support Services:				
Pupils	422,050	458,359	458,359	0
Instructional Staff	473,119	481,043	481,043	0
Board of Education	23,956	21,994	21,994	0
Administration	1,135,591	1,126,626	1,126,626	0
Fiscal	224,457	217,470	217,470	0
Operation and Maintenance of Plant	894,460	724,358	724,358	0
Pupil Transportation	552,079	496,980	496,980	0
Central	32,000	24,341	24,341	0
Extracurricular Activities	239,727	240,732	240,732	0
<i>Total Expenditures</i>	<u>9,764,335</u>	<u>9,852,615</u>	<u>9,852,615</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,271,306)</u>	<u>(1,122,863)</u>	<u>(1,122,863)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	20,754	5,819	5,819	0
Transfers Out	0	(7,259)	(7,259)	0
Advances In	0	0	32,000	32,000
Advances Out	0	(32,000)	(32,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>20,754</u>	<u>(33,440)</u>	<u>(1,440)</u>	<u>32,000</u>
<i>Net Change in Fund Balance</i>	<u>(1,250,552)</u>	<u>(1,156,303)</u>	<u>(1,124,303)</u>	<u>32,000</u>
<i>Fund Balance at Beginning of Year</i>	3,855,326	3,855,326	3,855,326	0
<i>Prior Year Encumbrances Appropriated</i>	<u>132,875</u>	<u>132,875</u>	<u>132,875</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,737,649</u></u>	<u><u>\$2,831,898</u></u>	<u><u>\$2,863,898</u></u>	<u><u>\$32,000</u></u>

See Accompanying Notes to the Basic Financial Statements

**Tri-County North Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,031	<u>\$51,616</u>
<b>Liabilities:</b>		
Current Liabilities:		
Due to Students	<u>0</u>	<u>\$51,616</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>\$13,031</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, 2010

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	<u>Private Purpose Trust</u>
<b>Additions:</b>	\$0
<b>Deductions:</b>	<u>0</u>
<i>Changes in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	<u>13,031</u>
<i>Net Assets at End of Year</i>	<u><u>\$13,031</u></u>

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, 2010

**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 51 classified employees and 80 certified full-time personnel who provide services to 1,072 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 has no 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

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

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**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.

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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

*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.

*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, 2010  
(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 60 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.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

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

**E. 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 2010, 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 2010 amounted to \$63,381, which includes \$12,938 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.

**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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

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

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

**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.

**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.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid. The unmaturing portion of the liability is not reported.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(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 consists of capital assets, net of accumulated depreciation. 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 termination benefits.

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.

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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

**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 amounts that 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 budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2010, the Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$32,643, \$4,441, and \$3,892, 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).



**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. 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.

	<u>General</u>
GAAP Basis	(\$158,648)
Net Adjustments for Revenue Accruals	(120,466)
Net Adjustments for Expenditure Accruals	15,712
Unrecorded Cash FY 2009	(1,142)
Unrecorded Cash FY 2010	144
Adjustment for Encumbrances	(859,903)
Budget Basis	<u>(\$1,124,303)</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;
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;

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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) above;
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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Tri-County North Local School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$1,673,914 of the School District's bank balance of \$4,701,947 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

The School District has no policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

**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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 6 - PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke, Montgomery, and Preble Counties. The Darke, Montgomery, and Preble County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$398,635 in the General Fund and \$13,394 in the Permanent Improvement Fund. 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.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$120,749,040	91.55%	\$121,000,710	95.29%
Public Utility Personal	5,743,220	4.35%	5,821,050	4.58%
General Business Personal	5,406,940	4.10%	161,600	0.13%
Total Assessed Value	<u>\$131,899,200</u>	<u>100.00%</u>	<u>\$126,983,360</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.43		\$45.43	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010, 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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 7 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Title I	\$8,155
Title I ARRA	17,251
Title II-A	569
Total	\$25,975

**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 2010, the School District contracted with Ohio Casualty for property, liability, fleet insurance, and inland marine coverage.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays an annual premium to the OSP (See Note 14). The School District contracts for crime insurance, education general liability, employee benefits liability, employer’s liability and stop gap, errors and omissions liability, and employment practices with the OSP.

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 2010, 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 Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2010, 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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**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.

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 2010, 12.78 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, 2010, 2009, and 2008 were \$216,458, \$120,629, and \$109,063, respectively; 45.90 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://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, 2010  
(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, 2010, 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. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. 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, 2010, 2009, and 2008 were \$609,044, \$597,848, and \$591,416, respectively; 83.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$29,652 made by the School District and \$33,654 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, 2010, 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.

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 2010, 0.46 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 2010, this amount was \$35,800.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

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, 2010, 2009, and 2008 were \$34,193, \$81,101, and \$68,654, respectively; 45.90 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,872, \$9,953, and \$7,858, respectively; 45.90 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://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 2010, 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, 2010, 2009, and 2008 were \$46,850, \$45,988, and \$45,494, respectively; 83.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 11 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deductions	Balance 6/30/10
<b><u>Governmental Activities:</u></b>				
Capital Assets, not Being Depreciated:				
Land	\$508,042	\$0	\$0	\$508,042
Capital Assets, Being Depreciated:				
Land Improvements	539,688	551	0	540,239
Buildings and Improvements	13,893,792	10,224	0	13,904,016
Furniture, Fixtures, and Equipment	3,548,447	188,899	0	3,737,346
Vehicles	746,524	0	(27,626)	718,898
Total Capital Assets, Being Depreciated	<u>18,728,451</u>	<u>199,674</u>	<u>(27,626)</u>	<u>18,900,499</u>
Less Accumulated Depreciation:				
Land Improvements	(412,712)	(21,609)	0	(434,321)
Buildings and Improvements	(5,168,281)	(286,194)	0	(5,454,475)
Furniture, Fixtures, and Equipment	(2,670,055)	(146,663)	0	(2,816,718)
Vehicles	(611,450)	(26,006)	27,626	(609,830)
Total Accumulated Depreciation	<u>(8,862,498)</u>	<u>(480,472) *</u>	<u>27,626</u>	<u>(9,315,344)</u>
Capital Assets, Being Depreciated, Net	<u>9,865,953</u>	<u>(280,798)</u>	<u>0</u>	<u>9,585,155</u>
Governmental Activities Capital Assets, Net	<u>\$10,373,995</u>	<u>(\$280,798)</u>	<u>\$0</u>	<u>\$10,093,197</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$335,817
Special	1,956
Vocational	2,245
Support Services:	
Pupils	1,636
Instructional Staff	24,436
Administration	31,581
Fiscal	853
Operation and Maintenance of Plant	20,722
Pupil Transportation	43,423
Operation of Non-Instructional Services	5,308
Extracurricular Activities	12,495
Total Depreciation Expense	<u>\$480,472</u>



**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deductions	Amount Outstanding 6/30/10	Amounts Due Within One Year
<u>Governmental Activities:</u>					
School Improvement Bonds					
1986 8.125%	\$120,000	\$0	\$120,000	\$0	\$0
OASBO Notes					
2002 4.28%	200,000	0	200,000	0	0
Compensated Absences	483,498	125,048	105,065	503,481	4,522
Total Governmental Activities Long-Term Liabilities	<u>\$803,498</u>	<u>\$125,048</u>	<u>\$425,065</u>	<u>\$503,481</u>	<u>\$4,522</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 23 year period with final maturity at December 1, 2009. The debt was 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 matured December 26, 2009, and was 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 \$11,428,502, with an unvoted debt margin of \$126,983 at June 30, 2010.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**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 both certified and 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.

**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 \$29,200 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. 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 2010, the School District paid \$1,535 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, 2010  
(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 formed under chapter 1702 of the Ohio Revised Code. 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 21 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. 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 2010, the School District paid \$2,580 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 member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

*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.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

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

**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 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.

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, 2009	\$36,010	\$181,218	\$0
Current Fiscal Year Set-aside Requirement	0	168,813	168,813
Qualifying Disbursements	0	(153,261)	0
Current Fiscal Year Offsets	0	0	(208,732)
Total	<u>\$36,010</u>	<u>\$196,770</u>	<u>(\$39,919)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$36,010</u>	<u>\$196,770</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$36,010</u>	<u>\$196,770</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 \$232,780.

**Tri-County North Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**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, 2010.

**B. Litigation**

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

**NOTE 17 - INTERFUND ACTIVITY**

The General Fund had transfers to the Permanent Improvement Fund and Other Governmental Funds of \$6,235 and \$1,024, respectively. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds. Other Governmental Funds had transfers to the Permanent Improvement Fund of \$314,142. A transfer was done to move the amount remaining in the Debt Service Fund after the debt was repaid to the Permanent Improvement Fund.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2010	10.555		\$34,475		\$28,990
Cash Assistance:						
National School Breakfast Program	2010	10.553	\$32,504		\$32,504	
National School Lunch Program	2010	10.555	150,205		150,205	
Total Child Nutrition Cluster			<u>182,709</u>	<u>34,475</u>	<u>182,709</u>	<u>28,990</u>
Total U.S. Department of Agriculture			<u>182,709</u>	<u>34,475</u>	<u>182,709</u>	<u>28,990</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2010	84.027	201,083		200,143	
ARRA - Special Education - Grants to States	2010	84.391	166,796		146,796	
Special Education - Preschool Grants	2010	84.173	3,196		3,196	
ARRA - Special Education - Preschool Grant	2010	84.392	7,785		7,785	
Total Special Education Cluster			<u>378,860</u>		<u>357,920</u>	
Title I Grants to Local Educational Agencies	2010	84.010	101,690		109,621	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	20,000		14,389	
Total Title I Grants to Local Educational Agencies			<u>121,690</u>		<u>124,010</u>	
Education Technology State Grants	2010	84.318	111		1,100	
Safe and Drug-Free Schools and Communities	2010	84.186	2,577		2,577	
Improving Teacher Quality State Grants	2010	84.367	45,479		46,397	
	2009	84.367			7,184	
Total Improving Teacher Quality State Grants			<u>45,479</u>		<u>53,581</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2010	84.394	234,276		194,461	
Total U.S. Department of Education			<u>782,993</u>		<u>733,649</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$965,702</b></u>	<u><b>\$34,475</b></u>	<u><b>\$916,358</b></u>	<u><b>\$28,990</b></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  
JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Tri-County North Local School District (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**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**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 the Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### 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 did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 22, 2010.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 22, 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 REQUIRED BY 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 could directly and materially affect each of Tri-County North Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the 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 could directly and materially affect its major federal program for the year ended June 30, 2010.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



**Mary Taylor, CPA**  
Auditor of State

December 22, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.391: ARRA – Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants CFDA #84.392: ARRA – Special Education-Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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.



**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  
JANUARY 11, 2011**