



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

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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

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## REPORT OF INDEPENDENT ACCOUNTANTS

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 general-purpose financial statements of the Tri-County North Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tri-County North Local School District, Preble County, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise and nonexpendable trust funds 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 18, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 18, 2001

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**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT  
PREBLE COUNTY, OHIO  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,777,990	\$222,604	\$845,324	\$1,242,161
Cash and Cash Equivalent with Fiscal Agents	0	6,006	0	0
Receivables:				
Property Taxes	3,176,661	56,585	381,837	164,819
Accounts	606	1,296	0	0
Intergovernmental	52	4,150	0	58,500
Accrued Interest	3,897	0	0	4,396
Inventory of Supplies and Materials	29,796	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	149,517	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$7,138,519</u></b>	<b><u>\$290,641</u></b>	<b><u>\$1,227,161</u></b>	<b><u>\$1,469,876</u></b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$33,775	\$7,409	\$0	\$18,060
Contracts Payable	0	0	0	11,233
Retainage Payable	0	0	0	23,306
Accrued Wages and Benefits Payable	523,715	26,705	0	0
Intergovernmental Payable	144,631	6,478	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,098,250	55,360	371,399	203,946
Accrued Interest Payable	0	0	0	68,549
Compensated Absences Payable	10,090	0	0	0
Notes Payable	0	0	0	1,455,000
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>3,810,461</u></b>	<b><u>95,952</u></b>	<b><u>371,399</u></b>	<b><u>1,780,094</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	117,368	46,203	500	239,255
Reserved for Property Taxes	78,411	1,225	10,438	3,667
Reserved for Contributions	0	0	0	0
Reserved for Inventory of Supplies and Materials	29,796	0	0	0
Reserved for Textbooks and Instructional Materials	79,291	0	0	0
Reserved for Budget Stabilization	36,010	0	0	0
Reserved for School Bus Purchases	34,216	0	0	0
Unreserved:				
Designated for Textbooks and Instructional Materials	111,130	0	0	0
Designated for Budget Stabilization	262,536	0	0	0
Undesignated (Deficit)	2,579,300	147,261	844,824	(553,140)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b><u>3,328,058</u></b>	<b><u>194,689</u></b>	<b><u>855,762</u></b>	<b><u>(310,218)</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$7,138,519</u></b>	<b><u>\$290,641</u></b>	<b><u>\$1,227,161</u></b>	<b><u>\$1,469,876</u></b>

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$161,628	\$71,328	\$0	\$0	\$6,321,035
0	0	0	0	6,006
0	0	0	0	3,779,902
11,491	0	0	0	13,393
0	0	0	0	62,702
0	0	0	0	8,293
2,787	0	0	0	32,583
8,783	0	0	0	8,783
0	0	0	0	149,517
69,823	0	17,388,176	0	17,457,999
0	0	0	855,262	855,262
0	0	0	418,680	418,680
<u>\$254,512</u>	<u>\$71,328</u>	<u>\$17,388,176</u>	<u>\$1,273,942</u>	<u>\$29,114,155</u>
\$1,242	\$2,680	\$0	\$0	\$63,166
0	0	0	0	11,233
0	0	0	0	23,306
7,755	0	0	0	558,175
13,548	0	0	48,921	213,578
0	55,878	0	0	55,878
6,342	0	0	0	3,735,297
0	0	0	0	68,549
17,366	0	0	125,021	152,477
0	0	0	0	1,455,000
0	0	0	1,100,000	1,100,000
<u>46,253</u>	<u>58,558</u>	<u>0</u>	<u>1,273,942</u>	<u>7,436,659</u>
0	0	17,388,176	0	17,388,176
208,259	0	0	0	208,259
0	0	0	0	403,326
0	0	0	0	93,741
0	11,547	0	0	11,547
0	0	0	0	29,796
0	0	0	0	79,291
0	0	0	0	36,010
0	0	0	0	34,216
0	0	0	0	111,130
0	0	0	0	262,536
0	1,223	0	0	3,019,468
<u>208,259</u>	<u>12,770</u>	<u>17,388,176</u>	<u>0</u>	<u>21,677,496</u>
<u>\$254,512</u>	<u>\$71,328</u>	<u>\$17,388,176</u>	<u>\$1,273,942</u>	<u>\$29,114,155</u>

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT**  
**PREBLE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL (MEMORANDUM ONLY)</b>
<b>Revenues:</b>					
Property Taxes	\$2,801,171	\$39,705	\$358,196	\$144,345	\$3,343,417
Intergovernmental	3,469,106	394,860	36,333	85,961	3,986,260
Interest	281,408	0	0	126,077	407,485
Tuition and Fees	47,625	0	0	0	47,625
Rent	2,210	0	0	0	2,210
Extracurricular Activities	0	112,456	0	0	112,456
Gifts and Donations	9,825	3,387	0	0	13,212
Miscellaneous	33,701	3,744	0	18,150	55,595
Total Revenues	<u>6,645,046</u>	<u>554,152</u>	<u>394,529</u>	<u>374,533</u>	<u>7,968,260</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,894,272	64,464	0	115,161	3,073,897
Special	665,879	172,309	0	0	838,188
Vocational	103,759	0	0	2,476	106,235
Support Services:					
Pupils	272,628	61,824	0	1,385	335,837
Instructional Staff	190,875	73,107	0	14,453	278,435
Board of Education	12,951	0	0	0	12,951
Administration	740,775	12,512	0	6,794	760,081
Fiscal	125,519	1,032	8,936	5,313	140,800
Operation and Maintenance of Plant	509,528	7,525	0	111,206	628,259
Pupil Transportation	318,414	4,014	0	89	322,517
Central	20,517	0	0	0	20,517
Extracurricular Activities	156,395	110,163	0	0	266,558
Capital Outlay	10,451	0	0	331,193	341,644
Debt Service:					
Principal Retirement	0	0	138,569	0	138,569
Interest and Fiscal Charges	0	0	95,374	71,850	167,224
Total Expenditures	<u>6,021,963</u>	<u>506,950</u>	<u>242,879</u>	<u>659,920</u>	<u>7,431,712</u>
Excess of Revenues Over (Under)					
Expenditures	<u>623,083</u>	<u>47,202</u>	<u>151,650</u>	<u>(285,387)</u>	<u>536,548</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	0	0	0	188,163	188,163
Operating Transfers Out	0	0	(188,163)	0	(188,163)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(188,163)</u>	<u>188,163</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	<u>623,083</u>	<u>47,202</u>	<u>(36,513)</u>	<u>(97,224)</u>	<u>536,548</u>
Fund Balances (Deficit) at Beginning of Year	2,698,058	147,487	892,275	(212,994)	3,524,826
Increase in Reserve for Inventory	6,917	0	0	0	6,917
Fund Balances (Deficit) at End of Year	<u>\$3,328,058</u>	<u>\$194,689</u>	<u>\$855,762</u>	<u>(\$310,218)</u>	<u>\$4,068,291</u>

See Accompanying Notes to the General Purpose Financial Statements

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**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Property Taxes	\$2,787,000	\$2,787,000	\$0	\$39,595	\$39,595	\$0
Intergovernmental	3,479,040	3,479,040	0	391,593	391,593	0
Interest	302,429	302,429	0	0	0	0
Tuition and Fees	47,654	47,654	0	0	0	0
Rent	2,210	2,210	0	0	0	0
Extracurricular Activities	0	0	0	113,183	113,183	0
Gifts and Donations	9,825	9,825	0	3,387	3,387	0
Miscellaneous	11,532	11,532	0	3,702	3,702	0
<b>Total Revenues</b>	<b>6,639,690</b>	<b>6,639,690</b>	<b>0</b>	<b>551,460</b>	<b>551,460</b>	<b>0</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,875,762	2,875,762	0	88,373	80,272	8,101
Special	670,265	670,265	0	212,141	178,261	33,880
Vocational	104,943	104,943	0	0	0	0
Other	16,735	16,735	0	0	0	0
Support Services:						
Pupils	271,428	271,428	0	58,006	57,770	236
Instructional Staff	194,101	194,101	0	67,983	62,493	5,490
Board of Education	10,436	10,436	0	0	0	0
Administration	740,719	740,719	0	13,406	13,406	0
Fiscal	129,543	129,543	0	1,884	1,017	867
Operation and Maintenance of Plant	578,607	578,607	0	20,995	17,525	3,470
Pupil Transportation	377,516	343,301	34,215	7,045	6,075	970
Central	20,591	20,591	0	0	0	0
Extracurricular Activities	157,919	157,833	86	141,308	133,040	8,268
Capital Outlay	25,751	25,751	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>6,174,316</b>	<b>6,140,015</b>	<b>34,301</b>	<b>611,141</b>	<b>549,859</b>	<b>61,282</b>
Excess of Revenues Over (Under) Expenditures	465,374	499,675	34,301	(59,681)	1,601	61,282
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	32,510	32,510	0	0	0	0
Advances In	0	118,328	118,328	0	88,328	88,328
Advances Out	(118,328)	(118,328)	0	0	(88,328)	(88,328)
<b>Total Other Financing Sources (Uses)</b>	<b>(85,818)</b>	<b>32,510</b>	<b>118,328</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	379,556	532,185	152,629	(59,681)	1,601	61,282
Fund Balances at Beginning of Year	3,121,246	3,121,246	0	138,688	138,688	0
Prior Year Encumbrances Appropriated	110,986	110,986	0	32,410	32,410	0
<b>Fund Balances at End of Year</b>	<b>\$3,611,788</b>	<b>\$3,764,417</b>	<b>\$152,629</b>	<b>\$111,417</b>	<b>\$172,699</b>	<b>\$61,282</b>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$356,169	\$356,169	\$0	\$143,705	\$143,705	\$0
36,333	36,333	0	72,008	72,008	0
0	0	0	150,876	150,876	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	12,879	12,879	0
392,502	392,502	0	379,468	379,468	0
0	0	0	132,770	121,104	11,666
0	0	0	0	0	0
0	0	0	2,476	2,476	0
0	0	0	0	0	0
0	0	0	1,377	1,377	0
0	0	0	27,510	27,510	0
0	0	0	0	0	0
0	0	0	6,794	6,794	0
10,404	9,230	1,174	5,244	5,244	0
0	0	0	155,906	155,906	0
0	0	0	89	89	0
0	0	0	1,753	1,753	0
0	0	0	0	0	0
0	0	0	746,927	746,403	524
276,532	263,569	12,963	0	0	0
157,616	157,616	0	0	0	0
444,552	430,415	14,137	1,080,846	1,068,656	12,190
(52,050)	(37,913)	14,137	(701,378)	(689,188)	12,190
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(52,050)	(37,913)	14,137	(701,378)	(689,188)	12,190
882,737	882,737	0	1,093,513	1,093,513	0
0	0	0	524,496	524,496	0
\$830,687	\$844,824	\$14,137	\$916,631	\$928,821	\$12,190

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>PROPRIETARY FUND TYPE</b>	<b>FIDUCIARY FUND TYPE</b>	<b>TOTAL (MEMORANDUM ONLY)</b>
	<b>ENTERPRISE</b>	<b>NONEXPENDABLE TRUST</b>	
<b>Operating Revenues:</b>			
Sales	\$233,845	\$0	\$233,845
Interest	0	1,047	1,047
Contributions and Donations	0	60	60
Charges for Services	29,574	0	29,574
Total Operating Revenues	<u>263,419</u>	<u>1,107</u>	<u>264,526</u>
<b>Operating Expenses:</b>			
Salaries	133,242	0	133,242
Fringe Benefits	36,314	0	36,314
Purchased Services	2,887	0	2,887
Materials and Supplies	43,712	0	43,712
Cost of Sales	146,951	0	146,951
Depreciation	10,128	0	10,128
Other	0	1,000	1,000
Total Operating Expenses	<u>373,234</u>	<u>1,000</u>	<u>374,234</u>
Operating Income (Loss)	<u>(109,815)</u>	<u>107</u>	<u>(109,708)</u>
<b>Non-Operating Revenues:</b>			
Interest	4,064	0	4,064
Federal and State Subsidies	90,292	0	90,292
Federal Donated Commodities	17,684	0	17,684
Total Non-Operating Revenues	<u>112,040</u>	<u>0</u>	<u>112,040</u>
Net Income	2,225	107	2,332
Retained Earnings/Fund Balance at Beginning of Year	<u>206,034</u>	<u>12,663</u>	<u>218,697</u>
Retained Earnings/Fund Balance at End of Year	<u>\$208,259</u>	<u>\$12,770</u>	<u>\$221,029</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	ENTERPRISE FUNDS			NONEXPENDABLE TRUST FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Sales	\$237,895	\$237,895	\$0	\$0	\$0	\$0
Interest	4,064	4,064	0	1,058	1,058	0
Federal and State Subsidies	90,292	90,292	0	0	0	0
Contributions and Donations	0	0	0	60	60	0
Refund of Prior Year's Expense	236	236	0	0	0	0
Charges for Services	29,147	29,147	0	0	0	0
Total Revenues	<u>361,634</u>	<u>361,634</u>	<u>0</u>	<u>1,118</u>	<u>1,118</u>	<u>0</u>
<b>Expenses:</b>						
Salaries	132,968	132,968	0	0	0	0
Fringe Benefits	36,703	36,703	0	0	0	0
Purchased Services	3,794	3,794	0	0	0	0
Materials and Supplies	210,201	197,058	13,143	0	0	0
Capital Outlay	3,993	3,993	0	0	0	0
Other	0	0	0	2,114	1,087	1,027
Total Expenses	<u>387,659</u>	<u>374,516</u>	<u>13,143</u>	<u>2,114</u>	<u>1,087</u>	<u>1,027</u>
Excess of Revenues Over (Under) Expenses	(26,025)	(12,882)	13,143	(996)	31	1,027
Advances In	0	30,000	30,000	0	0	0
Advances Out	0	(30,000)	(30,000)	0	0	0
Excess of Revenues Over (Under) Expenses and Advances	(26,025)	(12,882)	13,143	(996)	31	1,027
Fund Equity at Beginning of Year	143,279	143,279	0	11,648	11,648	0
Prior Year Encumbrances Appropriated	6,533	6,533	0	1,000	1,000	0
Fund Equity at End of Year	<u>\$123,787</u>	<u>\$136,930</u>	<u>\$13,143</u>	<u>\$11,652</u>	<u>\$12,679</u>	<u>\$1,027</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$267,280	\$0	267,280
Other Operating Receipts	0	60	60
Cash Payments for Employee Services and Benefits	(169,671)	0	(169,671)
Cash Payments to Suppliers for Goods and Services	(176,783)	0	(176,783)
Other Operating Expenses	0	(1,000)	(1,000)
Net Cash Used In Operating Activities	<u>(79,174)</u>	<u>(940)</u>	<u>(80,114)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Federal and State Subsidies	90,292	0	90,292
Advances In	30,000	0	30,000
Advances Out	(30,000)	0	(30,000)
Net Cash Provided By Noncapital Financing Activities	<u>90,292</u>	<u>0</u>	<u>90,292</u>
<b>Cash Flows form Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(3,367)	0	(3,367)
Net Cash Used In Capital and Related Activities	<u>(3,367)</u>	<u>0</u>	<u>(3,367)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest	4,064	1,047	5,111
Net Cash Provided By Investing Activities	<u>4,064</u>	<u>1,047</u>	<u>5,111</u>
Net Increase in Cash and Cash Equivalents	11,815	107	11,922
Cash and Cash Equivalents Beginning of Year	<u>149,813</u>	<u>12,663</u>	<u>162,476</u>
Cash and Cash Equivalents End of Year	<u><u>\$161,628</u></u>	<u><u>\$12,770</u></u>	<u><u>\$174,398</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Operating Income (Loss)	(\$109,815)	\$107	(\$109,708)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Depreciation	10,128	0	10,128
Donated Commodities Used	17,684	0	17,684
Interest in Nonexpendable Trust Fund	0	(1,047)	(1,047)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	3,858	0	3,858
Decrease in Inventory of Supplies and Materials	618	0	618
Increase in Inventory Held for Resale	(120)	0	(120)
Decrease in Accounts Payable	(1,411)	0	(1,411)
Decrease in Accrued Wages and Benefits Payable	(642)	0	(642)
Increase in Intergovernmental Payable	1,119	0	1,119
Decrease in Compensated Absences Payable	(593)	0	(593)
Net Cash Used In Operating Activities	<u><u>(\$79,174)</u></u>	<u><u>(\$940)</u></u>	<u><u>(\$80,114)</u></u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$71,328	
Cash and Cash Equivalents-Agency Fund		<u>(58,558)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u><u>\$12,770</u></u>	

See Accompanying Notes to the General Purpose Financial Statements

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Tri-County North Local School District (the "School District") was created from the northern half of the Twin Valley District in 1983. In August, 1990, a K-12 facility was dedicated as one of Ohio's newest public school districts. The School District is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School operates under a locally-elected five member Board form of government and provides educational services as mandated authorized by State and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities.

*Reporting Entity:*

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District 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, latchkey services 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, one insurance purchasing pool and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Preble County Consortium (the Consortium), respectively. These organizations are presented in Notes 17, 18 and 19 to the combined financial statements.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 proprietary funds 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 - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories, governmental, proprietary and fiduciary.

#### *Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and the nonexpendable trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than for the nonexpendable trust fund or major capital projects) that are legally restricted to expenditure for specified purposes.

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

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or the nonexpendable trust fund).

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a nonexpendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The School District's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

*Account Groups:*

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

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or nonexpendable trust fund.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or nonexpendable trust fund.

**B. Measurement Focus and Basis of Accounting**

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

All enterprise funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the enterprise funds and the nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of 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 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

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, interest, tuition, grants, student fees and rentals.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Eisenhower grant and drug free schools special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Preble County Budget Commission for rate determination.

*Estimated Resources:*

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

*Appropriations:*

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the Eisenhower grant and drug free schools special revenue funds and the agency fund consistent with statutory provisions.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds and the nonexpendable trust fund.

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. One fund had expended amounts greater than its share of pooled cash and cash equivalents. This fund had a negative cash balance at fiscal year end that was eliminated by a short-term loan from the general fund. The balance of the Eisenhower grant and drug free schools activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents." This represents deposits held at the Preble County Educational Service Center.

During fiscal year 2001, the School District's investments were limited to certificates of deposit, which are reported at cost.

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 2001 amounted to \$281,408, which includes \$114,725 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and non-food supplies held for resale and are expensed when used.

**F. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**G. 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.

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 the benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**H. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest on short-term notes have also been allocated accordingly.

**I. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**J. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, and to create a reserve for budget stabilization.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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

**K. 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.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity 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. Fund equity reserves have been established for encumbrances, property taxes, inventory of supplies and materials, textbooks and instructional materials, budget stabilization, school bus purchases, and contributions in the nonexpendable trust fund.

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 represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. This reserve consists exclusively of monies received by the School District by the Bureau of Workers' Compensation until April 10, 2001. The reserve for contributions signifies the legal restrictions on the use of principal.

**M. Fund 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. Designations represent amounts set-aside for textbooks and instructional materials and budget stabilization which exceed the statutory required amount. The amount designated this year for the School District is \$111,130 for textbooks and instructional materials and \$262,536 for budget stabilization.

**N. Total Columns on General Purpose Financial Statements**

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

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

*Changes in Accounting Principles* For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statements 33 and 36.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the preschool grant special revenue fund had deficit fund balance of \$23. The continuous improvement capital project fund had deficit fund balance of \$70. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The stay at home capital projects fund had a deficit fund balance of \$1,191,939. This deficit is a result of the notes payable being reported as a fund liability. The fund deficit will be eliminated when bonds are issued and resources are provided for the retirement of the note.

**B. Compliance**

The District failed to properly certify the availability of funds for expenditures.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type and Nonexpendable Trust Fund are presented 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Tri-County North Local School District  
 Preble County, Ohio  
 Notes to the General Purpose Statements  
 For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type and the nonexpendable trust fund (GAAP basis).
4. Principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
5. The School District does not budget for the activities of the Eisenhower grant or drug free schools special revenue funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Tri-County North Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
 Over (Under) Expenditures and Other Financing Uses  
 All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$623,083	\$47,202	(\$36,513)	(\$97,224)
Revenue Accruals	27,154	(2,692)	(2,027)	4,935
Expenditure Accruals	33,359	8,218	(62,036)	(100,666)
Debt Principal Payment	0	0	(125,000)	0
Non-Budgeted Funds	0	2,929	0	0
Transfers	0	0	188,163	(188,163)
Encumbrances	(151,411)	(54,056)	(500)	(308,070)
Budget Basis	\$532,185	\$1,601	(\$37,913)	(\$689,188)

Tri-County North Local School District  
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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income/Excess of Revenues Over (Under) Expenses and Advances Proprietary Fund Type and Nonexpendable Trust Fund	Enterprise	Nonexpendable Trust
GAAP Basis	\$2,225	\$107
Revenue Accruals	3,859	11
Expense Accruals	(531)	0
Acquisition of Capital Assets	(3,367)	0
Inventory of Materials and Supplies	(618)	0
Inventory Held for Resale	120	0
Depreciation Expense	10,128	0
Encumbrances	(24,698)	(87)
Budget Basis	(\$12,882)	\$31

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

At June 30, 2001, the School District had "Cash and Cash Equivalents with Fiscal Agent" in the special revenue funds of \$6,006. The money is held by the Preble County Educational Service Center which is the fiscal agent of several other school districts and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents for the Preble County Educational Service Center as a whole can be obtained by writing to Teresa Freeman at the at the Preble County Educational Service Center, 101 N. Main Street, Eaton, Ohio, 45320.

*Deposits:* At year end, the carrying amount of the School District's deposits was \$6,470,552 and the bank balance was \$6,569,504. Of the bank balance:

1. \$333,372 of the bank balance was covered by federal depository insurance; and
2. \$6,236,132 was considered uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's counterparty's trust department or agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had no investments at year-end.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Tri-County North Local School District  
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**NOTE 7 - PROPERTY TAXES** (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	81,956,530	73.96%	83,907,390	76.02%
Public Utility	7,757,040	7.00%	19,375,373	17.55%
Tangible Personal Property	21,100,770	19.04%	7,090,800	6.43%
Total Assessed Value	<u>\$110,814,340</u>	<u>100.00%</u>	<u>\$110,373,563</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$42.63		\$42.33

The tax rate decreased due to a levy that was not renewed.

The School District receives property taxes from Darke, Montgomery and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Tri-County North Local School District  
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**NOTE 7 - PROPERTY TAXES** (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2001 was \$93,741 and is recognized as revenue. \$78,411 was available to the general fund, \$1,225 was available to the classroom facilities maintenance special revenue fund, \$10,438 was available to the bond retirement debt service fund, and \$3,667 was available to the permanent improvement capital projects fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rents, tuition, and student fees), intergovernmental grants, and accrued interest. All receivables are considered collectible in full.

There was one intergovernmental receivable in the general fund for the amount of \$52. This receivable was from the Preble County Auditor. There was also \$4,150 intergovernmental receivable in the special revenue funds for an early childhood education grant. There was one intergovernmental receivable for the interactive video distance learning grant in the capital projects funds of \$58,500.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$119,044
Less Accumulated Depreciation	<u>(49,221)</u>
Net Fixed Assets	<u><u>\$69,823</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 06/30/00	Additions	Deletions	Balance at 06/30/01
Land and Improvements	\$568,964	\$0	\$0	\$568,964
Buildings and Improvements	12,227,661	1,267,117	0	13,494,778
Furniture, Fixtures and Equipment	604,450	77,599	42,922	639,127
Vehicles	<u>2,685,307</u>	<u>0</u>	<u>0</u>	<u>2,685,307</u>
Total General Fixed Assets	<u><u>\$16,086,382</u></u>	<u><u>\$1,344,716</u></u>	<u><u>\$42,922</u></u>	<u><u>\$17,388,176</u></u>

Tri-County North Local School District  
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**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Indiana Insurance for property insurance, and Nationwide Insurance for liability, fleet insurance, and inland marine coverage.

Coverage provided by Indiana Insurance is as follows:	
Building and Contents - replacement cost (\$1,000 deductible)	\$10,780,650
Coverage provided by Nationwide Insurance is as follows:	
Bus Fleet	1,000,000
Comprehensive (\$50 deductible)	
Collision (\$500 deductible)	
Uninsured Motorists	
Per Occurrence	1,000,000
Total Per Year	1,000,000
Inland Marine Coverage (\$100 deductible)	20,292
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

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

**B. Workers' Compensation**

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - RISK MANAGEMENT** (continued)

**C. Employee Medical Benefits**

For fiscal year 2001, the School District also participated in the Preble County Consortium (the Consortium), a shared risk pool consisting of five local school districts and an educational service center (See Note 19). The School District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all the Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$32,341, \$39,399, \$53,907 and, respectively. The School District contributed 43.76 percent for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$18,187, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$324,502, \$178,935, and \$149,081, respectively. The School district contributed 84.13 percent for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$51,490 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The four remaining Board members contributed to SERS.

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$153,712 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$93,998.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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**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. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for certified employees and 260 for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 85 days for classified employees and 70 days for certified employees.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Coresource, Inc.

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
School Improvement Bonds 1986 8.125%	\$1,225,000	\$0	\$125,000	\$1,100,000
School Facilities Loan 1986 0%	6,424,725	0	6,424,725	0
Other Long-Term Obligations:				
Intergovernmental Payable	49,988	48,921	49,988	48,921
Compensated Absences	92,571	32,450	0	125,021
Total General Long-Term Obligations	<u>\$7,792,284</u>	<u>\$81,371</u>	<u>\$6,599,713</u>	<u>\$1,273,942</u>

*Tri-County North Local School Improvement General Obligation Bonds*

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

Tri-County North Local School District  
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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

*School Facilities Loan*

In 1986, Tri-County North Local School District borrowed from the state \$6,850,000 for the purpose of acquiring and improving the school facilities for the School District, under the authority of Ohio Revised Code section 3318.08. The loan was for a twenty-three year period with final maturity during fiscal year 2009. During the fiscal year, the School District was informed by the Ohio School Facilities Commission that this loan will be forgiven, and the School District will not be required to repay the remaining balance. The School District made a payment of \$13,569 on this loan before they were notified.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents the contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$9,689,383 with an unvoted debt margin of \$110,374 at June 30, 2001. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$120,000	\$84,500	\$204,500
2003	125,000	74,547	199,547
2004	120,000	64,594	184,594
2005	125,000	54,641	179,641
2006	120,000	44,687	164,687
2007-2010	490,000	79,218	569,218
Total	\$1,100,000	\$402,187	\$1,502,187

**NOTE 15 - NOTES PAYABLE**

A summary of the short-term note transactions for the fiscal year ended June 30, 2001, follows:

Fund Type/Fund/Issue	Interest Rate	Balance at 6/30/00	Increases	Decreases	Balance at 6/30/01
Capital Projects Fund:					
Stay at Home Issue	4.41%	\$1,580,000	\$0	\$125,000	\$1,455,000

In fiscal year 2001, the School District issued bond anticipation notes in the amount of \$1,455,000 due on July 19, 2001 and paid off bond anticipation notes in the amount of \$1,580,000 for the purpose of permanent improvements.

Tri-County North Local School District  
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**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$188,266	\$46,435	\$28,718	\$263,419
Depreciation	10,128	0	0	10,128
Operating Income (Loss)	(122,961)	8,256	4,890	(109,815)
Federal and State Subsidies	90,292	0	0	90,292
Interest	4,064	0	0	4,064
Federal Donated Commodities	17,684	0	0	17,684
Net Income (Loss)	(10,921)	8,256	4,890	2,225
Long-Term Liabilities	17,366	0	0	17,366
Fixed Asset Additions	3,367	0	0	3,367
Net Working Capital	117,784	31,862	6,156	155,802
Total Assets	213,215	32,998	8,299	254,512
Total Fund Equity	170,241	31,862	6,156	208,259
Total Encumbrances	16,572	7,420	706	24,698

**NOTE 17 - 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, Hamilton, Preble, and Warren Counties and Cities of Eaton, Edgewood, Fairfield, Franklin, Hamilton, Lebanon, Loveland, Mason, Middletown, Oxford, and Springboro. 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 county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid SWOCA \$21,522 for services provided during the year. Financial information can be obtained from K. Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Southwestern Ohio Educational Purchasing Council* - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council 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 shall forfeit 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 during this one year period. Payments to SOEPC are made from the general fund. During fiscal year 2001, the Tri-County North Local School District paid \$788 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members as the State-assigned SOITA service area representative. 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 of local government, for a public purpose. Payments to SOITA are made from the general fund.

During fiscal year 2001, the School District paid \$5,366 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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**NOTE 18 - INSURANCE PURCHASING POOL**

*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). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 19 - SHARED RISK POOL**

*Preble County Consortium* - The Preble County Consortium (the Consortium), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The Consortium 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 Consortium and their designated insurance company. The Consortium 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 Consortium may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Consortium. Financial information can be obtained from Teresa Freeman, who serves as treasurer, at 101 E. Main Street, Eaton, Ohio 45320.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Amount</u>
Jess Construction	\$175,171
Feinknopf, Macioce, Schappa Architects, Inc.	16,880
Trame Mechanical	28,185

Tri-County North Local School District  
 Preble County, Ohio  
 Notes to the General Purpose Statements  
 For the Fiscal Year Ended June 30, 2001

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**NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents only bureau of workers' compensation monies required to be set-aside based on legislative changes.

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

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$76,792	\$0	\$284,670
Current Year Set-aside Requirement	150,699	150,699	0
Reduction in Requirement Based on Revised Legislation	0	0	(248,660)
Current Year Offsets	0	(268,483)	0
Qualifying Disbursements	(148,200)	0	0
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$79,291</u>	<u>(\$117,784)</u>	<u>\$36,010</u>
Set-aside Reserve Balances as June 30, 2001	<u>\$79,291</u>	<u>\$0</u>	<u>\$36,010</u>

The total reserve balance reported on the balance sheet as of June 30, 2001 for textbooks/instructional materials set-aside and the reserve balance for budget stabilization was \$115,301.

**NOTE 22 - 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, 2001.

**NOTE 22 - CONTINGENCIES** (continued)

**B. Litigation**

The School District does not have any pending litigation.

**NOTE 23 - SUBSEQUENT EVENTS**

**A. School Funding**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 29, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

**B. Notes Payable**

In July, the School District rolled over the notes that were outstanding as of June 30, 2001 for \$1,330,000. The notes were issued for a one year period.

Tri-County North Local School District  
Preble County, Ohio  
Notes to the General Purpose Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 23 - SUBSEQUENT EVENTS** (continued)

**C. Levy Passage**

In the November, 2001 election, the School District had two issues on the ballot; one was a renewal levy for 6.05 mills (\$664,826/year) for emergency requirements of the School District for five years and the other was a renewal levy for 2 mills for permanent improvements for five years. Both of these issues were passed by the voters.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$16,524	\$0	\$17,684
National School Breakfast Program	05-PU-2001 05-PU-2000	10.553	6,925 1,519	- -	6,925 1,519	- -
Total National School Breakfast Program			8,444	-	8,444	-
National School Lunch Program	LL-P1-2001 LL-P4-2001 LL-P1-2000 LL-P4-2000	10.555	44,753 18,469 10,008 4,831	- - - -	44,753 18,469 10,008 4,831	- - - -
Total National School Lunch Program			78,061	-	78,061	-
Total U.S. Department of Agriculture - Nutrition Cluster			86,505	16,524	86,505	17,684
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
Total ESEA Title I	C1-S1-2001 C1-S1-2000	84.010	189,696 429	- -	155,816 28,487	- -
			190,125	-	184,303	-
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	6B-SF-2001 6B-SF-2000	84.027	55,900 0	- -	55,900 7,201	- -
Total Special Education: Grants to States			55,900	-	63,101	-
Special Education: Preschool Grant	PG-S1-2001 PG-S1-2000	84.173	3,239 0	- -	2,454 367	- -
Total Special Education: Preschool Grant			3,239	-	2,821	-
Total Special Education Cluster			59,139	-	65,922	-
Safe and Drug Free Schools and Communities	DR-S1-2001	84.186	5,006	-	5,006	-
Eisenhower Professional Development State Grant	MS-S1-2001	84.281	5,422	-	5,422	-
Innovative Education Program Strategy	C2-S1-2001 C2-S1-2000	84.298	5,974 3,954	- -	5,974 3,954	- -
Total Innovative Education Program Strategy			9,928	-	9,928	-
Class Size Reduction	CR-S1-2001 CR-S1-2000	84.340	28,773 0	- -	28,773 3,364	- -
Total Class Size Reduction			28,773	-	32,137	-
Total Department of Education			298,393	-	302,718	-
<b>Totals</b>			<b>\$384,898</b>	<b>\$16,524</b>	<b>\$389,223</b>	<b>\$17,684</b>

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

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on a cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL 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 Tri-County North Local School District, Preble County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 18, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10368-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2001.

Tri-County North Local School District  
Preble County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

December 18, 2001



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

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

To the Board of Education:

We have audited the compliance of the Tri-County North Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Tri-County North Local School District  
Preble County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Major Federal Programs and Internal Control Over  
Compliance In Accordance With OMB Circular A-133  
Page 2

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

**Jim Petro**  
Auditor of State

December 18, 2001

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2001-10368-001**

**Noncompliance - Certification of Purchase Orders**

**Ohio Rev. Code Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

**FINDING NUMBER 2001-10368-001**  
**(Continued)**

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds for purchase commitments for sixteen percent of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the Treasurer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 2001-10368-002**

**Reportable Condition - Student Activity Receipts**

During our review of student activities, we noted the following deficiencies in internal control:

- Fifteen percent of the ticket accountability sheets tested stated that programs were sold; however, the sheets did not state exactly how many programs were sold, so we could not verify the amount collected for the programs sold at the sporting events;
- Five percent of the ticket accountability sheets tested were miscalculated;
- On fifteen percent of the ticket accountability sheets tested, it was stated that students with gray cards attended the event. Students with gray cards pay half price to attend the events and do not receive tickets, but are supposed to sign-in when they come to the game. The athletic sign-in sheets did not state the corresponding game; consequently, we were unable to verify how many students with gray cards actually attended the events;
- On one ticket accountability sheet for a Wrestling Tournament, the sheet stated that Family and Tournament Passes were sold; however, we could not verify the amount of passes sold because there was no supporting documentation;
- Forty-four percent of the FFA fruit sale receipts tested could not be agreed to the duplicate receipts prepared by the advisor;
- FFA fruit sale duplicate receipts prepared by the advisor were not pre-numbered;
- Class of 2005 Magazine Sale records were thrown away and consequently, we could not trace any receipts back to supporting documentation;
- Journalism/Newspaper Candy Sale, Class of 2005 Magazine Sale, and the Yearbook did not complete Sales Potential Forms;

**FINDING NUMBER 2001-10368-002  
(Continued)**

- FFA Fruit Sale Sales Potential Form was not signed by the Principal and Superintendent;
- Journalism/Newspaper Candy Sale did not complete a Purpose Clause;
- Duplicate receipts were not issued for monies collected in connection with the Class of 2005 Magazine Sale;
- One Yearbook Ad receipt was recorded in fund 200-9315 (FFA) instead of 200-9380 (Yearbook);
- Three receipts on the REVLED were not recorded in the advisor's Quicken records. They also did not have individual handwritten receipts. Minimal supporting documentation could be found for these receipts. Also six expenditures that are shown in the FINANC report were not recorded in the Advisor's records.

Failure to maintain supporting documentation for student activities could result in incorrect receipt records, misappropriation of funds, and incorrect financial reporting.

To improve accountability and financial reporting, we recommend:

- Sales project potential forms be filled out completely and submitted for each student activity;
- Copies of Sales Project Potential forms be kept in a central location;
- The District keep track of how many sports programs they purchase and sell;
- The District use due care when filling out the "Record of Ticket and Cash Accountability for Special Events" forms;
- The District have all students with gray cards sign the Athletics Sign-In Sheets. These sheets should be clearly dated and specify on the sheet the event;
- The District retain supporting documentation showing how many passes were sold when the District sells family and tournament passes;
- All revenue received from students for student activity fund raisers include the issuance of a duplicate receipt. The receipts should be consecutively numbered and in duplicate. The receipts should be recorded in sequential order by date received;
- The Yearbook Advisor use due care when entering transactions into her records and make sure that all transactions are included in her records;
- The District take due care when recording receipts;
- The District maintain proper supporting documentation, such as duplicate receipts, order forms, returns, etc., for all student activities;
- The District prepare a Purpose Clause form, submitted by the student group and approved by the board of education, for all student activities prior to the performance of any financial transactions by an authorized student activity.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10368-001	Lack of supporting documentation for student activity receipts	No	Not corrected, reissued as finding 2001-10368-002





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OFFICE OF THE AUDITOR  

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**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 15, 2002**