



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Tri-County North Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Foundation revenue increased due to changes in the fund calculation by the State that increased funding for the School District including special education monies.
- The School District continues to reduce expenditures for fiscal year 2014 by consolidating job positions and filling positions with less experienced teachers.

Using this Generally Accepted Accounting Principles (GAAP) Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Fund.

Governmental Funds

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

Fiduciary Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1			
Net Position			
Governmental Activities			
	2014	2013	Change
Assets:			
Current and Other Assets	\$6,130,852	\$6,067,906	\$62,946
Capital Assets, Net	9,062,515	9,362,221	(299,706)
Total Assets	15,193,367	15,430,127	(236,760)
Liabilities:			
Other Liabilities	948,044	1,231,450	(283,406)
Long-Term Liabilities	363,811	355,168	8,643
Total Liabilities	1,311,855	1,586,618	(274,763)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities
(Continued)**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Deferred Inflows of Resources:			
Property Taxes	3,797,999	3,754,578	43,421
Net Position:			
Net Investment in Capital Assets	9,062,515	9,362,221	(299,706)
Restricted	609,421	574,404	35,017
Unrestricted	411,577	152,306	259,271
Total Net Position	<u>\$10,083,513</u>	<u>\$10,088,931</u>	<u>(\$5,418)</u>

Total assets of governmental activities decreased \$236,760 mainly due to current year depreciation exceeding current year additions. Current and other assets increased \$62,946 due to an increase in property taxes receivable and a decrease in cash and cash equivalents. Property taxes receivable increased \$112,553 due to an increase in valuation. Capital assets decreased \$299,706 mainly due to depreciation exceeding additions.

Total liabilities decreased \$274,763. The decrease in current liabilities is due to a decrease in matured compensated absences payable, intergovernmental payable and accounts payable. Intergovernmental payable decreased due to lower payments related to SERS arrearage payments.

Unrestricted net position increased \$259,271 in fiscal year 2014 due to an increase in state foundation and casino revenue.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2
Change in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$658,832	\$690,451	(\$31,619)
Operating Grants, Interest and Contributions	853,246	788,521	64,725
Total Program Revenues	<u>1,512,078</u>	<u>1,478,972</u>	<u>33,106</u>
General Revenues:			
Property Taxes	3,779,788	3,659,827	119,961
Grants and Entitlements not Restricted to Specific Programs	4,570,279	4,293,620	276,659
Interest	1,029	4,323	(3,294)
Gifts and Donations	10,027	1,000	9,027
Miscellaneous	38,710	81,658	(42,948)
Total General Revenues	<u>8,399,833</u>	<u>8,040,428</u>	<u>359,405</u>
Total Revenues	<u>\$9,911,911</u>	<u>\$9,519,400</u>	<u>\$392,511</u>

(continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 2
Change in Net Position
(Continued)**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Program Expenses:			
Instruction:			
Regular	\$4,764,023	\$5,087,088	(\$323,065)
Special	978,134	949,960	28,174
Vocational	58,660	57,567	1,093
Support Services:			
Pupils	613,174	571,086	42,088
Instructional Staff	330,598	559,043	(228,445)
Board of Education	20,626	18,795	1,831
Administration	853,055	983,982	(130,927)
Fiscal	212,194	183,722	28,472
Operation and Maintenance of Plant	707,272	766,331	(59,059)
Pupil Transportation	546,017	543,864	2,153
Central	30,356	28,013	2,343
Operation of Non-Instructional Services	389,894	410,412	(20,518)
Extracurricular Activities	413,326	437,034	(23,708)
Total Expenses	<u>9,917,329</u>	<u>10,596,897</u>	<u>(\$679,568)</u>
Change in Net Position	(5,418)	(1,077,497)	
Net Position at Beginning of Year	<u>10,088,931</u>	<u>11,166,428</u>	
Net Position at End of Year	<u>\$10,083,513</u>	<u>\$10,088,931</u>	

Governmental Activities

Total revenues increased \$392,511 or four percent from fiscal year 2013, mainly the result of an increase in property tax revenue and unrestricted grants revenue. The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property Taxes made up 38 percent of revenues for governmental activities for the School District for fiscal year 2014. Foundation revenues also increased due to a change in the calculation by the State.

In total, expenses decreased \$679,568, or six percent, due to the School District consolidating job positions and hiring entry level teachers in some of the open positions left open from fiscal year 2013 retirements.

The School District's Funds

Major funds for the School District consist of the General and Permanent Improvement Funds. The General Fund is the chief operating fund for the School District and accounts for 89 percent of all expenditures made during fiscal year 2014. The Permanent Improvement Fund accounts for property tax and intergovernmental revenue collected and held to make improvements to the School District's facilities.

The net change in fund balance for the General Fund was an increase of \$286,043. The increase in fund balance is due to an increase in property tax revenue and intergovernmental revenue.

The Permanent Improvement Fund change in fund balance was an increase of \$15,413. Money in this fund is spent on capital improvements to the building on an as needed basis, and the fund balance can fluctuate from fiscal year to fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

For the General Fund, the actual and final budgeted revenues were \$8,771,471, a \$145,726 increase from the original budgeted revenues estimate. The increase was due to an under estimate of resources during the beginning of the fiscal year, mainly in property tax reimbursements and intergovernmental revenues from State foundation revenues.

During the course of fiscal year 2014, final appropriations decreased \$381,987 from original appropriations to \$8,958,096, mainly due to the School District consolidating positions and filling open positions from prior year retirements with entry level teachers or leaving them unfilled.

Capital Assets

Table 3 shows fiscal year 2014, balances compared to fiscal year 2013.

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

	<u>2014</u>	<u>2013</u>
Land	\$508,042	\$508,042
Land Improvements	282,372	305,368
Buildings and Improvements	7,450,357	7,681,007
Furniture, Fixtures, and Equipment	719,193	746,515
Vehicles	102,551	121,289
Totals	<u>\$9,062,515</u>	<u>\$9,362,221</u>

Overall capital assets decreased \$299,706 from fiscal year 2013 to fiscal year 2014 because of current fiscal year depreciation exceeding current fiscal year additions. For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

As of June 30, 2014, the School District has no debt outstanding.

For more information see Note 13 of the Basic Financial Statements.

Contacting the School District's Financial Management

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,761,448
Accounts Receivable	18,366
Intergovernmental Receivable	14,838
Inventory of Supplies and Materials	13,580
Inventory Held for Resale	6,793
Property Taxes Receivable	4,315,827
Non-depreciable Capital Assets	508,042
Depreciable Capital Assets, Net	8,554,473
Total Assets	<u>15,193,367</u>
 Liabilities:	
Accounts Payable	16,272
Accrued Wages and Benefits Payable	754,172
Matured Compensated Absences Payable	13,585
Accrued Vacation Leave Payable	27,263
Intergovernmental Payable	136,752
Long-Term Liabilities:	
Due Within One Year	7,226
Due In More Than One Year	356,585
Total Liabilities	<u>1,311,855</u>
 Deferred Inflows of Resources:	
Property Taxes	<u>3,797,999</u>
 Net Position:	
Net Investment in Capital Assets	9,062,515
Restricted for:	
Capital Projects	376,208
Other Purposes	43,664
Student Activities	79,026
Classroom Facilities Maintenance	14,263
Set-Asides	96,260
Unrestricted	411,577
Total Net Position	<u><u>\$10,083,513</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Interest and and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,764,023	\$299,223	\$59,092	(\$4,405,708)
Special	978,134	56,750	353,260	(568,124)
Vocational	58,660	3,939	10,652	(44,069)
Support Services:				
Pupils	613,174		198,926	(414,248)
Instructional Staff	330,598		20,430	(310,168)
Board of Education	20,626			(20,626)
Administration	853,055		399	(852,656)
Fiscal	212,194			(212,194)
Operation and Maintenance of Plant	707,272			(707,272)
Pupil Transportation	546,017			(546,017)
Central	30,356		5,400	(24,956)
Operation of Non-Instructional Services	389,894	131,822	202,940	(55,132)
Extracurricular Activities	413,326	167,098	2,147	(244,081)
Totals	\$9,917,329	\$658,832	\$853,246	(8,405,251)
General Revenues:				
Property Taxes Levied for:				
				3,664,647
				115,141
				4,570,279
				1,029
				10,027
				38,710
Total General Revenues				8,399,833
Change in Net Position				(5,418)
Net Position at Beginning of Year				10,088,931
Net Position at End of Year				\$10,083,513

See Accompanying Notes to the Basic Financial Statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,166,698	\$359,527	\$120,467	\$1,646,692
Receivables:				
Property Taxes	4,169,663	146,164		4,315,827
Accounts	17,037		1,329	18,366
Intergovernmental			14,838	14,838
Interfund	10,580			10,580
Inventory of Supplies and Materials	13,580			13,580
Inventory Held for Resale			6,793	6,793
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	114,756			114,756
Total Assets	<u>5,492,314</u>	<u>505,691</u>	<u>143,427</u>	<u>6,141,432</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	15,797	95	380	16,272
Accrued Wages and Benefits Payable	736,707		17,465	754,172
Intergovernmental Payable	129,129		7,623	136,752
Interfund Payable			10,580	10,580
Matured Compensated Absences Payable	13,585			13,585
Total Liabilities	<u>895,218</u>	<u>95</u>	<u>36,048</u>	<u>931,361</u>
Deferred Inflows of Resources:				
Property Taxes	3,668,611	129,388		3,797,999
Unavailable Revenue	202,899	7,048	16,167	226,114
Total Deferred Inflows of Resources	<u>3,871,510</u>	<u>136,436</u>	<u>16,167</u>	<u>4,024,113</u>
Fund Balances:				
Non-spendable	32,076			32,076
Restricted	116,937	369,160	105,696	591,793
Assigned	32,676			32,676
Unassigned (Deficit)	543,897		(14,484)	529,413
Total Fund Balances	<u>725,586</u>	<u>369,160</u>	<u>91,212</u>	<u>1,185,958</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$5,492,314</u>	<u>\$505,691</u>	<u>\$143,427</u>	<u>\$6,141,432</u>

See Accompanying Notes to the Basic Financial Statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances	\$1,185,958
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$508,042	
Land Improvements	845,914	
Buildings and Improvements	14,060,683	
Furniture, Fixtures, and Equipment	3,874,264	
Vehicles	707,962	
Accumulated Depreciation	<u>(10,934,350)</u>	
Total Capital Assets		9,062,515

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

Property Taxes	192,955	
Intergovernmental	14,838	
Tuition and Fees	16,992	
Customer Sales and Services	<u>1,329</u>	
		226,114

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

Accrued Vacation Leave Payable	(27,263)	
Compensated Absences	<u>(363,811)</u>	
Total Liabilities		<u>(391,074)</u>

Net Position of Governmental Activities	<u><u>\$10,083,513</u></u>
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See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Permanent Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$3,647,589	\$118,204		\$3,765,793
Intergovernmental	4,771,234	35,988	\$605,542	5,412,764
Interest	1,029			1,029
Tuition and Fees	347,444			347,444
Rent	11,192			11,192
Extracurricular Activities	31,419		136,196	167,615
Gifts and Donations	10,000		1,657	11,657
Charges for Services			134,177	134,177
Miscellaneous	38,559		151	38,710
Total Revenues	8,858,466	154,192	877,723	9,890,381
Expenditures:				
Current:				
Instruction:				
Regular	4,387,611	33,324	53,880	4,474,815
Special	866,159	4,242	110,748	981,149
Vocational	59,970			59,970
Support Services:				
Pupils	413,256		198,486	611,742
Instructional Staff	303,797		30,090	333,887
Board of Education	19,524	1,614		21,138
Administration	823,991	10,500	500	834,991
Fiscal	201,082	8,298		209,380
Operation and Maintenance of Plant	639,927	77,611	27,398	744,936
Pupil Transportation	508,120	1,610		509,730
Central	24,956		5,400	30,356
Operation of Non-Instructional Services		1,580	385,455	387,035
Extracurricular Activities	286,709		123,208	409,917
Total Expenditures	8,535,102	138,779	935,165	9,609,046
Excess of Revenues Over (Under) Expenditures	323,364	15,413	(57,442)	281,335
Other Financing Sources (Uses):				
Transfer In			37,321	37,321
Transfer Out	(37,321)			(37,321)
Total Other Financing Sources (Uses)	(37,321)		37,321	
Net Change in Fund Balance (Deficit)	286,043	15,413	(20,121)	281,335
Fund Balances at Beginning of Year	439,543	353,747	111,333	904,623
Fund Balances at End of Year	\$725,586	\$369,160	\$91,212	\$1,185,958

See Accompanying Notes to the Basic Financial Statements.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$281,335

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

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

Capital Outlay	\$148,410	
Depreciation Expense	(447,496)	
Excess of Depreciation Expense Over Capital Outlay		(299,086)

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

Loss on Disposal of Capital Assets		(620)
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Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are unavailable in the governmental funds.

Property Taxes	13,995	
Intergovernmental	8,614	
Tuition and Fees	1,276	
Charges for Services	(2,355)	
Total		21,530

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

These activities consist of:

Decrease in Accrued Vacation Leave Payable	66	
Increase in Compensated Absences	(8,643)	
		(8,577)

Change in Net Position of Governmental Activities		(\$5,418)
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See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$3,503,691	\$3,591,344	\$3,591,344	
Intergovernmental	4,702,807	4,758,282	4,758,282	
Interest	3,700	943	943	
Tuition and Fees	323,306	347,824	347,824	
Rent	9,650	11,192	11,192	
Extracurricular Activities	36,110	31,419	31,419	
Gifts and Donations	11,000	10,000	10,000	
Miscellaneous	35,481	20,467	20,467	
Total Revenues	<u>8,625,745</u>	<u>8,771,471</u>	<u>8,771,471</u>	
Expenditures:				
Current:				
Instruction:				
Regular	4,631,963	4,597,040	4,597,040	
Special	1,001,665	894,914	894,914	
Vocational	58,207	62,565	62,565	
Support Services:				
Pupils	415,662	413,094	413,094	
Instructional Staff	353,809	317,470	317,470	
Board of Education	19,262	19,530	19,530	
Administration	892,152	832,492	832,542	(\$50)
Fiscal	203,877	202,418	202,418	
Operation and Maintenance of Plant	760,846	761,040	762,038	(998)
Pupil Transportation	627,600	532,505	534,502	(1,997)
Central	54,330	29,076	29,076	
Extracurricular Activities	320,670	295,815	295,815	
Capital Outlay	40	137	137	
Total Expenditures	<u>9,340,083</u>	<u>8,958,096</u>	<u>8,961,141</u>	<u>(3,045)</u>
Excess of Revenues Under Expenditures	<u>(714,338)</u>	<u>(186,625)</u>	<u>(189,670)</u>	<u>(3,045)</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	16,000	29,819	29,819	
Advances In		25,000	25,000	
Advances Out		(35,580)	(35,580)	
Transfers Out		(37,321)	(37,321)	
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>(18,082)</u>	<u>(18,082)</u>	
Net Change in Fund Balance	(698,338)	(204,707)	(207,752)	(3,045)
Fund Balance at Beginning of Year	1,086,732	1,086,732	1,086,732	
Prior Year Encumbrances Appropriated	169,881	169,881	169,881	
Fund Balance at End of Year	<u>\$558,275</u>	<u>\$1,051,906</u>	<u>\$1,048,861</u>	<u>(\$3,045)</u>

See Accompanying Notes to the Basic Financial Statements.

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$45,276</u>	<u>\$47,070</u>
Liabilities:		
Current Liabilities:		
Due to Students	<u> </u>	<u>\$47,070</u>
Net Position:		
Held in Trust for Scholarships	<u>\$45,276</u>	

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions and Donations	\$399
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,500</u>
Changes in Net Position	(2,101)
Net Position at Beginning of Year	<u>47,377</u>
Net Position at End of Year	<u><u>\$45,276</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District currently operates one instructional building, a district office, and a bus garage. The School District is staffed by 43 classified employees and 69 certified full-time personnel who provide services to 1,019 students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The School District has no component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Southwest Ohio Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

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

Shared Risk Pool:

- Preble County Schools Regional Council of Governments

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Tri-County North Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds:

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

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

Permanent Improvement Fund - The Permanent Improvement Fund accounts for and reports property tax revenues restricted to the acquisition, construction, or improvement of capital facilities.

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

2. Fiduciary Funds:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

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

The private purpose trust fund is reported using a flow of economic resources measurement focus.

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Inflows of Resources:

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

For the School District unavailable revenue includes delinquent property taxes, charges for service, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

3. Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$1,029, which includes \$610 assigned from other School District funds.

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

F. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable." Interfund balances are eliminated on the statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

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

H. Capital Assets

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

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

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

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

I. Restricted Assets

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

J. Compensated Absences

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance

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

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the Treasurer to assign fund balance purchase orders provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

M. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

N. Internal Activity

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgetary Process

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

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

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

P. 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.

3. ACCOUNTABILITY

At June 30, 2014, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Special Revenue:	
Food Service	(\$8,396)
Latchkey	(872)
Title II-A	(5,203)
Vocational Education Equipment Reimbursement	(13)

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	General Fund
GAAP Basis	\$286,043
Net Adjustments for Revenue Accruals	(55,959)
Net Adjustments for Expenditure Accruals	(194,853)
Unrecorded Cash Fiscal Year Ended 2014	(1,421)
Unrecorded Cash Fiscal Year Ended 2013	204
Advances	(10,580)
Adjustment for Encumbrances	(231,186)
Budget Basis	(\$207,752)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio; or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Preble, Montgomery, and Darke 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amount available as an advance at June 30, 2014, was \$324,873 and is recognized as revenue: \$315,145 in the General Fund and \$9,728 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2013, was \$258,900 in the General Fund and \$10,836 in the Permanent Improvement Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$113,412,740	94.71%	\$113,450,210	94.62%
Public Utility Personal	6,335,270	5.29%	6,454,810	5.38%
Total Assessed Value	<u>\$119,748,010</u>	<u>100.00%</u>	<u>\$119,905,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.55		\$43.55	

7. RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, accounts (tuition and student fees), intergovernmental and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title I	\$10,580
Title II-A	4,258
Total	\$14,838

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$508,042			\$508,042
Capital Assets, Being Depreciated:				
Land Improvements	836,306	\$9,608		845,914
Buildings and Improvements	13,998,478	62,205		14,060,683
Furniture, Fixtures, and Equipment	3,799,185	76,597	(\$1,518)	3,874,264
Vehicles	707,962			707,962
Total Capital Assets, Being Depreciated	19,341,931	148,410	(1,518)	19,488,823
Less Accumulated Depreciation:				
Land Improvements	(530,938)	(32,604)		(563,542)
Buildings and Improvements	(6,317,471)	(292,855)		(6,610,326)
Furniture, Fixtures, and Equipment	(3,052,670)	(103,299)	898	(3,155,071)
Vehicles	(586,673)	(18,738)		(605,411)
Total Accumulated Depreciation	(10,487,752)	(447,496) *	898	(10,934,350)
Capital Assets, Being Depreciated, Net	8,854,179	(299,086)	(620)	8,554,473
Governmental Activities Capital Assets, Net	\$9,362,221	(\$299,086)	(\$620)	\$9,062,515

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$319,544
Special	1,317
Vocational	855
Support Services:	
Pupils	855
Instructional Staff	1,670
Board Of Education	27
Administration	29,039
Fiscal	639
Operation and Maintenance of Plant	43,772
Pupil Transportation	33,987
Operation of Non-Instructional Services	4,943
Extracurricular Activities	10,848
Total Depreciation Expense	\$447,496

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Hylant Group for property, liability, fleet insurance, and inland marine coverage.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays an annual premium to the OSP (See Note 15). The School District contracts for crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

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

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2014, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 15). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$128,273, \$125,121, and \$148,207, respectively. For fiscal year 2014, 75.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$504,903 and \$11,368 for the fiscal year ended June 30, 2014, \$526,269 and \$7,368 for the fiscal year ended June 30, 2013, and \$588,847 and \$7,212 for the fiscal year ended June 30, 2012. For fiscal year 2014, 81.84 percent has been contributed for the DB plan and 81.84 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$35,257 made by the School District and \$27,702 made by the plan members. In addition, member contributions of \$8,932 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$19,148 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$27,961, \$29,053, and \$30,778, respectively. For fiscal year 2014 75.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$7,442, \$7,095, and \$8,787, respectively. For fiscal year 2014, 75.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$38,839, \$40,482, and \$45,296, respectively. For fiscal year 2014, 81.84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<u>Amount Outstanding 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/14</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$355,168	\$183,097	\$174,454	\$363,811	\$7,226

Compensated Absences will be paid from the General Fund.

The School District's overall legal debt margin was \$10,791,452, with an un-voted debt margin of \$119,905 at June 30, 2014.

14. INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2014, were as follows:

<u>Transfers From</u>	<u>Transfers To Non-major Governmental Funds</u>
General Fund	\$37,321

Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. INTERFUND ACTIVITY (Continued)

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Payable		Receivable General Fund
	Non-major Governmental Funds	\$10,580

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the Non-major Governmental Funds. All amounts are expected to be repaid in one year.

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL

A. Jointly Governed Organizations

1. Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designing management. Each School District's degree of control is limited to its representation on the board. The School District paid SWOCA \$30,356 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

2. Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designing management. Each School District's degree of control is limited to its representation on the board. During fiscal year 2014, the School District paid \$720 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL (Continued)

3. Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Chapter 1702 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. The board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designing management. Each School District's degree of control is limited to its representation on the board. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District paid \$778 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

1. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL (Continued)

2. Ohio School Plan

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

C. Shared Risk Pool

1. Preble County Schools Regional Council of Governments:

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

16. SET-ASIDE CALCULATION

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvements
Set-aside Balance as of June 30, 2013	\$61,208
Current Fiscal Year Set-aside Requirement	175,192
Current Fiscal Year Offsets	(140,140)
Total	\$96,260
Set-aside Balance Carried Forward to Future Fiscal Years	\$96,260
Set-aside Balance as of June 30, 2014	\$96,260

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Non-spendable				
Unclaimed Funds	\$18,496			\$18,496
Inventory	13,580			13,580
Total Non-spendable	<u>32,076</u>			<u>32,076</u>
Restricted for:				
Set Asides	96,260			96,260
Good Samaritan Marketing	20,677			20,677
Classroom Facilities			\$14,263	14,263
District Managed Activity			79,026	79,026
Other Purposes			12,407	12,407
Capital Improvements		\$369,160		369,160
Total Restricted	<u>116,937</u>	<u>369,160</u>	<u>105,696</u>	<u>591,793</u>
Assigned to:				
Principal's Fund	<u>32,676</u>			<u>32,676</u>
Unassigned (Deficit)	<u>543,897</u>		<u>(14,484)</u>	<u>529,413</u>
Total Fund Balances	<u><u>\$725,586</u></u>	<u><u>\$369,160</u></u>	<u><u>\$91,212</u></u>	<u><u>\$1,185,958</u></u>

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

19. SUBSEQUENT EVENT

The School District passed a 1 percent school income tax on May 6, 2014. This income tax is expected to generate \$961,459 annually.

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	2014	10.553	\$35,497		\$35,497	
National School Lunch Program	2014	10.555	156,130	\$26,608	156,130	\$26,608
Total Child Nutrition Cluster			<u>191,627</u>	<u>26,608</u>	<u>191,627</u>	<u>26,608</u>
Total U.S. Department of Agriculture			<u>191,627</u>	<u>26,608</u>	<u>191,627</u>	<u>26,608</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education_Grants to States	2014	84.027	197,969		197,969	
Special Education_Preschool Grants	2014	84.173	3,185		3,185	
Total Special Education Cluster			<u>201,154</u>		<u>201,154</u>	
Title I Grants to Local Educational Agencies	2014	84.010	142,187		130,458	
	2013	84.010	3,121		56,713	
Total Title I Grants to Local Educational Agencies			<u>145,308</u>		<u>187,171</u>	
Improving Teacher Quality State Grants	2014	84.367	42,489		40,916	
Total Improving Teacher Quality State Grants			<u>42,489</u>		<u>40,916</u>	
Total U.S. Department of Education			<u>388,951</u>		<u>429,241</u>	
Total Federal Awards Expenditures			<u>\$580,578</u>	<u>\$26,608</u>	<u>\$620,868</u>	<u>\$26,608</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 27, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
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www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Tri-County North Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Tri-County North Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Tri-County North Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education_Grants to States - CFDA 84.027 Special Education_Preschool Grants- CFDA 84.173
(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**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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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
FEBRUARY 17, 2015