



Dave Yost • Auditor of State

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 22, 2013

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of Tri-County North Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- The School District had to come up with a plan in fiscal year 2012 to reduce the projected deficit in fiscal year 2013. The School District submitted a written proposal to the Ohio Department of Education outlining the reductions. The Tri-County North Local School District Board of Education approved reductions at the regular board meeting on May 21, 2012. Total reductions were \$567,780 for fiscal year 2013.

Using this Generally Accepted Accounting Principles (GAAP) Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Fiduciary Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1			
Net Assets			
	2012	2011	Change
Assets:			
Current and Other Assets	\$7,027,520	\$8,461,939	(\$1,434,419)
Capital Assets, Net	9,712,084	10,024,766	(312,682)
<i>Total Assets</i>	16,739,604	18,486,705	(1,747,101)
Liabilities:			
Other Liabilities	5,093,918	4,783,813	310,105
Long-Term Liabilities	479,258	488,298	(9,040)
<i>Total Liabilities</i>	5,573,176	5,272,111	301,065
Net Assets:			
Invested in Capital Assets	9,712,084	10,024,766	(312,682)
Restricted	515,261	889,819	(374,558)
Unrestricted	939,083	2,300,009	(1,360,926)
<i>Total Net Assets</i>	\$11,166,428	\$13,214,594	(\$2,048,166)

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Total assets of governmental activities decreased \$1,747,101, as current assets decreased \$1,434,419, mainly due to a decrease in cash and cash equivalents. Cash decreased due to the phase out of the tangible personal property tax, less grant revenue, and a decrease in State funding. Capital assets decreased \$312,682 because depreciation exceeded additions.

Total liabilities increased \$301,065. The increase in current liabilities is due to deferred revenue from property taxes. Delinquents have increased from fiscal year 2011. Long-term liabilities decreased \$9,040 due to a decrease in compensated absences.

Unrestricted net assets are made up primarily of the General Fund's balance. Although this amount decreased again in fiscal year 2012, the decrease was more than previous fiscal years' decrease.

Table 2 shows the changes in net assets for the fiscal years 2012 and 2011.

Table 2
Change in Net Assets

	2012	2011	Change
Revenues:			
Program Revenues:			
Charges for Services	\$655,492	\$603,256	\$52,236
Operating Grants, Interest and Contributions	822,141	1,155,871	(333,730)
Capital Grants and Contributions	0	112,027	(112,027)
<i>Total Program Revenues</i>	<u>1,477,633</u>	<u>1,871,154</u>	<u>(393,521)</u>
General Revenues:			
Property Taxes	3,443,699	4,127,560	(683,861)
Grants and Entitlements not Restricted to Specific Programs	4,425,608	4,698,759	(273,151)
Interest	16,242	32,438	(16,196)
Gifts and Donations	3,333	4,905	(1,572)
Miscellaneous	21,514	59,083	(37,569)
<i>Total General Revenues</i>	<u>7,910,396</u>	<u>8,922,745</u>	<u>(1,012,349)</u>
<i>Total Revenues</i>	<u>\$9,388,029</u>	<u>\$10,793,899</u>	<u>(\$1,405,870)</u>

(continued)

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Changes in Net Assets
(continued)

	2012	2011	Change
Program Expenses:			
Instruction:			
Regular	\$5,429,516	\$5,179,650	\$249,866
Special	1,046,213	1,039,632	6,581
Vocational	67,262	67,636	(374)
Support Services:			
Pupils	565,903	618,301	(52,398)
Instructional Staff	638,339	672,774	(34,435)
Board of Education	18,892	22,562	(3,670)
Administration	1,064,866	1,116,555	(51,689)
Fiscal	195,945	221,596	(25,651)
Operation and Maintenance of Plant	834,326	744,537	89,789
Pupil Transportation	647,205	565,481	81,724
Central	27,048	29,216	(2,168)
Operation of Non-Instructional Services	435,738	445,556	(9,818)
Extracurricular Activities	464,942	439,884	25,058
<i>Total Expenses</i>	<u>11,436,195</u>	<u>11,163,380</u>	<u>\$272,815</u>
<i>Change in Net Assets</i>	(2,048,166)	(369,481)	
<i>Net Assets at Beginning of Year</i>	<u>13,214,594</u>	<u>13,584,075</u>	
<i>Net Assets at End of Year</i>	<u>\$11,166,428</u>	<u>\$13,214,594</u>	

Governmental Activities

Total revenues decreased \$1,405,870 or 13 percent from fiscal year 2011, mainly the result of property tax collections. The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property Taxes made up 37 percent of revenues for governmental activities for the School District for fiscal year 2012.

In total, expenses remained fairly consistent from fiscal year 2011, increasing only \$272,815, or two percent, due mainly to inflation and increased costs of employee benefits. The School District was successful in keeping expenses from increasing significantly during these tough economic times.

Overall, net assets decreased \$2,048,166 for fiscal year 2012. During fiscal year 2011, this decrease was \$369,481. This decrease is primarily related to decreased property tax collections and program specific and unrestricted State and federal grants.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District's Funds

Major funds for the School District consist of the General and the Permanent Improvement Funds. The General Fund is the chief operating fund for the School District and accounts for 88 percent of all expenditures made during fiscal year 2012. The Permanent Improvement Fund accounts for property tax revenue collected and held to make improvements to the School District's facilities.

The net change in fund balance for the General Fund was a decrease of \$1,547,809. This was the result of less property tax revenue, as well as increasing expenditures relating to benefit costs.

The Permanent Improvement Capital Projects Fund change in fund balance was a decrease of \$67,169. 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.

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 \$8,667,776, a \$202,574 decrease from the original budgeted revenues estimate. The decrease was due to an over estimate of resources during the beginning of the fiscal year, mainly in property tax reimbursements and State foundation revenues.

During the course of fiscal year 2012, final appropriations decreased \$97,493 to \$9,988,009, mainly due to the School District not filling positions of employees who left and moving some full-time administrative positions to part-time.

Capital Assets

Table 3 shows fiscal year 2012, balances compared to fiscal year 2011.

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

	2012	2011
Land	\$508,042	\$508,042
Land Improvements	339,344	370,692
Buildings and Improvements	7,903,914	8,169,057
Furniture, Fixtures, and Equipment	815,058	888,897
Vehicles	145,726	88,078
<i>Totals</i>	\$9,712,084	\$10,024,766

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Overall capital assets decreased \$312,682 from fiscal year 2011 to fiscal year 2012 because of current fiscal year depreciation exceeding current fiscal year additions. For more information on capital assets, refer to Note 11 of the basic financial statements.

Debt Administration

As of June 30, 2012, the School District has no debt outstanding.

For more information see Note 12 of the Basic Financial Statements.

Contacting the School District's Financial Management

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

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Tri-County North Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,515,636
Accounts Receivable	21,028
Accrued Interest Receivable	5,752
Intergovernmental Receivable	56,614
Inventory of Supplies and Materials	17,741
Inventory Held for Resale	4,659
Property Taxes Receivable	4,406,090
Nondepreciable Capital Assets	508,042
Depreciable Capital Assets, Net	<u>9,204,042</u>
<i>Total Assets</i>	<u>16,739,604</u>
Liabilities:	
Accounts Payable	11,774
Accrued Wages and Benefits Payable	755,669
Matured Compensated Absences Payable	61,324
Accrued Vacation Leave Payable	27,621
Intergovernmental Payable	248,963
Deferred Revenue	3,988,567
Long-Term Liabilities:	
Due Within One Year	7,075
Due In More Than One Year	<u>472,183</u>
<i>Total Liabilities</i>	<u>5,573,176</u>
Net Assets:	
Invested in Capital Assets	9,712,084
Restricted for:	
Capital Projects	335,070
Other Purposes	8,499
Student Activities	67,305
Classroom Facilities Maintenance	83,785
Set-Asides	20,602
Unrestricted	<u>939,083</u>
<i>Total Net Assets</i>	<u><u>\$11,166,428</u></u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants, Interest and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,429,516	\$258,915	\$56,461	(\$5,114,140)
Special	1,046,213	46,458	325,291	(674,464)
Vocational	67,262	0	12,027	(55,235)
Support Services:				
Pupils	565,903	0	182,492	(383,411)
Instructional Staff	638,339	0	26,335	(612,004)
Board of Education	18,892	0	0	(18,892)
Administration	1,064,866	0	501	(1,064,365)
Fiscal	195,945	0	0	(195,945)
Operation and Maintenance of Plant	834,326	0	0	(834,326)
Pupil Transportation	647,205	0	0	(647,205)
Central	27,048	0	5,400	(21,648)
Operation of Non-Instructional Services	435,738	189,738	210,639	(35,361)
Extracurricular Activities	464,942	160,381	2,995	(301,566)
Totals	\$11,436,195	\$655,492	\$822,141	(9,958,562)
General Revenues:				
Property Taxes Levied for:				
				3,324,986
				118,713
Grants and Entitlements not Restricted to Specific Programs				
				4,425,608
				16,242
				3,333
				21,514
				7,910,396
				(2,048,166)
				13,214,594
				\$11,166,428

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,000,523	\$314,870	\$163,380	\$2,478,773
Receivables:				
Property Taxes	4,237,212	168,878	0	4,406,090
Accounts	18,564	0	2,464	21,028
Intergovernmental	0	0	56,614	56,614
Accrued Interest	5,752	0	0	5,752
Interfund	13,721	0	0	13,721
Inventory of Supplies and Materials	17,741	0	0	17,741
Inventory Held for Resale	0	0	4,659	4,659
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	36,863	0	0	36,863
<i>Total Assets</i>	<u>\$6,330,376</u>	<u>\$483,748</u>	<u>\$227,117</u>	<u>\$7,041,241</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$4,514	\$0	\$7,260	\$11,774
Accrued Wages and Benefits Payable	731,971	0	23,698	755,669
Intergovernmental Payable	235,176	0	13,787	248,963
Interfund Payable	0	0	13,721	13,721
Deferred Revenue	4,010,712	158,040	33,346	4,202,098
Matured Compensated Absences Payable	36,456	0	24,868	61,324
<i>Total Liabilities</i>	<u>5,018,829</u>	<u>158,040</u>	<u>116,680</u>	<u>5,293,549</u>
Fund Balances:				
Nonspendable	34,002	0	0	34,002
Restricted	26,279	325,708	151,586	503,573
Assigned	158,611	0	0	158,611
Unassigned	1,092,655	0	(41,149)	1,051,506
<i>Total Fund Balances</i>	<u>1,311,547</u>	<u>325,708</u>	<u>110,437</u>	<u>1,747,692</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,330,376</u>	<u>\$483,748</u>	<u>\$227,117</u>	<u>\$7,041,241</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balances	\$1,747,692
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Land	508,042	
Land Improvements	836,857	
Buildings and Improvements	13,931,745	
Furniture, Fixtures, and Equipment	3,757,927	
Vehicles	707,962	
Accumulated Depreciation	(10,030,449)	
Total Capital Assets	9,712,084	9,712,084

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

Property Taxes	161,732	
Intergovernmental	30,893	
Tuition and Fees	18,453	
Miscellaneous	2,453	
	213,531	213,531

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	(27,621)	
Compensated Absences	(479,258)	
Total Liabilities	(506,879)	(506,879)

<i>Net Assets of Governmental Activities</i>	\$11,166,428
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See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$3,328,278	\$115,149	\$0	\$3,443,427
Intergovernmental	4,572,049	46,409	640,701	5,259,159
Interest	20,297	0	29	20,326
Tuition and Fees	297,572	0	0	297,572
Rent	9,125	0	0	9,125
Extracurricular Activities	49,615	0	110,766	160,381
Gifts and Donations	3,333	0	3,196	6,529
Charges for Services	0	0	194,119	194,119
Miscellaneous	18,059	10,000	1,932	29,991
<i>Total Revenues</i>	<u>8,298,328</u>	<u>171,558</u>	<u>950,743</u>	<u>9,420,629</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,024,757	37,152	58,721	5,120,630
Special	928,646	0	127,297	1,055,943
Vocational	65,774	0	0	65,774
Support Services:				
Pupils	365,067	0	197,575	562,642
Instructional Staff	547,828	3,399	83,854	635,081
Board of Education	18,892	0	0	18,892
Administration	1,038,051	2,341	500	1,040,892
Fiscal	191,142	5,571	0	196,713
Operation and Maintenance of Plant	661,142	110,965	62,701	834,808
Pupil Transportation	620,333	79,299	0	699,632
Central	21,648	0	5,400	27,048
Operation of Non-Instructional Services	0	0	442,680	442,680
Extracurricular Activities	340,701	0	105,607	446,308
<i>Total Expenditures</i>	<u>9,823,981</u>	<u>238,727</u>	<u>1,084,335</u>	<u>11,147,043</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,525,653)</u>	<u>(67,169)</u>	<u>(133,592)</u>	<u>(1,726,414)</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	2,544		0	2,544
Transfer In	0	0	24,700	24,700
Transfer Out	(24,700)	0	0	(24,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(22,156)</u>	<u>0</u>	<u>24,700</u>	<u>2,544</u>
<i>Net Change in Fund Balance</i>	<u>(1,547,809)</u>	<u>(67,169)</u>	<u>(108,892)</u>	<u>(1,723,870)</u>
<i>Fund Balances at Beginning of Year</i>	<u>2,859,356</u>	<u>392,877</u>	<u>219,329</u>	<u>3,471,562</u>
<i>Fund Balances at End of Year</i>	<u>\$1,311,547</u>	<u>\$325,708</u>	<u>\$110,437</u>	<u>\$1,747,692</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (\$1,723,870)

*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	148,394	
Depreciation Expense	(458,532)	
Excess of Depreciation Expense Over Capital Outlay	(310,138)	(310,138)

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

Loss on Disposal of Capital Assets	(2,544)
------------------------------------	---------

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

Property Taxes	272	
Interest	(4,055)	
Intergovernmental	(14,635)	
Tuition and Fees	(1,324)	
Charges for Services	(4,381)	
Miscellaneous	(8,477)	
Total	(32,600)	(32,600)

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

These activities consist of:

Increase in Accrued Vacation Leave Payable	11,946	
Decrease in Compensated Absences	9,040	
	20,986	20,986

Change in Net Assets of Governmental Activities (\$2,048,166)

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,820,495	\$3,711,688	\$3,711,688	\$0
Intergovernmental	4,692,425	4,572,049	4,572,049	0
Interest	44,016	26,520	26,520	0
Tuition and Fees	255,874	280,239	280,239	0
Rent	8,965	9,125	9,125	0
Extracurricular Activities	30,000	49,615	49,615	0
Gifts and Donations	5,060	3,333	3,333	0
Miscellaneous	13,515	15,207	15,207	0
<i>Total Revenues</i>	8,870,350	8,667,776	8,667,776	0
Expenditures:				
Current:				
Instruction:				
Regular	4,947,843	5,018,103	5,018,103	0
Special	939,193	946,777	946,777	0
Vocational	68,015	66,973	66,973	0
Support Services:				
Pupils	453,993	384,345	384,345	0
Instructional Staff	486,324	568,771	568,771	0
Board of Education	20,239	19,086	19,086	0
Administration	1,130,454	1,066,291	1,066,291	0
Fiscal	216,940	195,377	195,377	0
Operation and Maintenance of Plant	841,054	724,726	724,726	0
Pupil Transportation	628,943	630,727	630,727	0
Central	33,276	30,499	30,499	0
Extracurricular Activities	319,188	336,305	336,305	0
Capital Outlay	40	29	29	0
<i>Total Expenditures</i>	10,085,502	9,988,009	9,988,009	0
<i>Excess of Revenues Under Expenditures</i>	(1,215,152)	(1,320,233)	(1,320,233)	0
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	13,079	18,324	18,324	0
Proceeds from Sale of Capital Assets	90	2,544	2,544	0
Insurance Recoveries	0	0	0	0
Advances In	475	26,275	26,275	0
Advances Out	0	(39,996)	(39,996)	0
Transfers Out	0	(24,700)	(24,700)	0
<i>Total Other Financing Sources (Uses)</i>	13,644	(17,553)	(17,553)	0
<i>Net Change in Fund Balance</i>	(1,201,508)	(1,337,786)	(1,337,786)	0
<i>Fund Balance at Beginning of Year</i>	3,077,564	3,077,564	3,077,564	0
<i>Prior Year Encumbrances Appropriated</i>	162,321	162,321	162,321	0
<i>Fund Balance at End of Year</i>	\$2,038,377	\$1,902,099	\$1,902,099	\$0

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$49,192	<u><u>\$44,353</u></u>
Liabilities:		
Current Liabilities:		
Due to Students	<u>0</u>	<u><u>\$44,353</u></u>
Net Assets:		
Held in Trust for Scholarships	<u><u>\$49,192</u></u>	

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
Additions:	
Contributions and Donations	\$894
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,000</u>
<i>Changes in Net Assets</i>	(1,106)
<i>Net Assets at Beginning of Year</i>	<u>50,298</u>
<i>Net Assets at End of Year</i>	<u><u>\$49,192</u></u>

See Accompanying Notes to the Basic Financial Statements

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Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District currently operates one instructional building, a district office, and a bus garage. The School District is staffed by 50 classified employees and 79 certified full-time personnel who provide services to 1,043 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. The School District has no component units.

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

Insurance Purchasing Pools:

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

Shared Risk Pool:

Preble County Schools Regional Council of Governments

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements:

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

Fund Accounting

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

Governmental Funds:

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

General Fund - The General Fund is the operating fund of the School District and is used to account for 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.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Improvement Fund - The Permanent Improvement Capital Projects Fund accounts for and report 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, committed, or assigned to a particular purpose.

Fiduciary Funds:

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

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

Deferred Revenue:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

Cash and Cash Equivalents

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

During fiscal year 2012, the School District invested in negotiable certificates of deposits which are reported at fair value.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$20,297, which includes \$3,716 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.

Inventory

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

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

Capital Assets

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Compensated Absences

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

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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

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

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:

Nonspendable – The nonspendable 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 a formal action (resolution) of the School District. Those committed amounts cannot be used for any other purpose unless the Board 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.

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 School District.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Internal Activity

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

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

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

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.

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.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2012, the Food Service, Latchkey, Education Jobs, Title I and Title II-A Special Revenue Funds had deficit fund balances of \$5,552, \$1,354, \$188, \$28,567, and \$5,488, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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.

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	(\$1,547,809)
Net Adjustments for Revenue Accruals	382,561
Net Adjustments for Expenditure Accruals	(30,707)
Unrecorded Cash Fiscal Year Ended 2012	1,966
Unrecorded Cash Fiscal Year Ended 2011	3,245
Advances	(13,721)
Adjustment for Encumbrances	(133,321)
Budget Basis	<u><u>(\$1,337,786)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 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;
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.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, 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 Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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 which were measurable as of June 30, 2012 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 reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2012, was \$255,791 and is recognized as revenue: \$244,953 in the General Fund and \$10,838 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2011, was \$628,363 in the General Fund and \$20,049 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 deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Real Estate	\$120,908,440	95.04%	\$117,356,420	94.97%
Public Utility Personal	6,236,490	4.90%	6,219,550	5.03%
General Business Personal	74,280	0.06%	0	0.00%
Total Assessed Value	<u>\$127,219,210</u>	<u>100.00%</u>	<u>\$123,575,970</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.43		\$43.15	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, accounts (tuition and student fees), intergovernmental, interest, 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 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.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Education Jobs	\$2,539
Title I	54,075
Total	<u>\$56,614</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 8 - RISK MANAGEMENT

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 2012, the School District contracted with Ohio Casualty for property, liability, fleet insurance, and inland marine coverage.

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

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

Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

Employee Medical Benefits

For fiscal year 2012, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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.

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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010, were \$148,207, \$104,053, and \$216,458, respectively. For fiscal year 2012, 58.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 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 for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$588,847, \$611,984, and \$609,044, respectively. For fiscal year 2012, 84.01 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$30,597 made by the School District and \$21,855 made by the plan members. In addition, member contributions of \$5,152 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2012, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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.

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 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$23,748 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, 2012, 2011, and 2010, were \$30,778, \$22,658, and \$34,193, respectively. For fiscal year 2012, 58.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$8,787, \$6,696, and \$12,872, respectively. For fiscal year 2012, 58.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$45,296, \$47,076, and \$46,850, respectively. For fiscal year 2012, 84.01 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 11 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$508,042	\$0	\$0	\$508,042
Capital Assets, Being Depreciated:				
Land Improvements	834,757	2,100	0	836,857
Buildings and Improvements	13,910,395	21,350	0	13,931,745
Furniture, Fixtures, and Equipment	3,717,952	45,645	(5,670)	3,757,927
Vehicles	718,898	79,299	(90,235)	707,962
Total Capital Assets, Being Depreciated	<u>19,182,002</u>	<u>148,394</u>	<u>(95,905)</u>	<u>19,234,491</u>
Less Accumulated Depreciation:				
Land Improvements	(464,065)	(33,448)	0	(497,513)
Buildings and Improvements	(5,741,338)	(286,493)	0	(6,027,831)
Furniture, Fixtures, and Equipment	(2,829,055)	(116,940)	3,126	(2,942,869)
Vehicles	(630,820)	(21,651)	90,235	(562,236)
Total Accumulated Depreciation	<u>(9,665,278)</u>	<u>(458,532) *</u>	<u>93,361</u>	<u>(10,030,449)</u>
Capital Assets, Being Depreciated, Net	<u>9,516,724</u>	<u>(310,138)</u>	<u>(2,544)</u>	<u>9,204,042</u>
Governmental Activities Capital Assets, Net	<u>\$10,024,766</u>	<u>(\$310,138)</u>	<u>(\$2,544)</u>	<u>\$9,712,084</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$325,892
Special	1,547
Vocational	964
Support Services:	
Pupils	1,589
Instructional Staff	8,539
Administration	29,648
Fiscal	1,007
Operation and Maintenance of Plant	35,389
Pupil Transportation	38,740
Operation of Non-Instructional Services	5,025
Extracurricular Activities	10,192
Total Depreciation Expense	<u>\$458,532</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	<u>Additions</u>	<u>Deductions</u>	Amount Outstanding 6/30/12	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$488,298	\$46,694	\$55,734	\$479,258	\$7,075

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

The School District's overall legal debt margin was \$11,111,572, with an unvoted debt margin of \$123,462 and an Energy Conservation debt margin of \$1,111,157 at June 30, 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS

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.

Insurance Benefits

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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

Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$26,814 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$698 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.

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.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the School District paid \$2,176 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Ohio School Plan

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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

Shared Risk Pool

Preble County Schools Regional Council of Governments:

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

NOTE 15 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2012, were as follows:

Transfers From	Transfers To
Other	Other
Governmental Funds	Governmental Funds
	\$24,700

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

Interfund balances at June 30, 2012, consist of the following interfund receivables and payables:

Payable	Receivable
Other Governmental Funds	General Fund
	\$13,721

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - INTERFUND ACTIVITY (continued)

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

NOTE 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 describes the change in the fiscal year-end set-aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	176,204
Current Fiscal Year Offsets	<u>(155,602)</u>
Total	<u><u>\$20,602</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$20,602</u></u>
Set-aside Balance as of June 30, 2012	<u><u>\$20,602</u></u>

In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the School District has implemented *Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53."* GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not result in any change in the School District's financial statements.

NOTE 18 - CONTINGENCIES

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 19 - FUND BALANCES

Fund balance is classified as nonspendable, 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:

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Funds	\$16,261	\$0	\$0	\$16,261
Inventory	17,741	0	0	17,741
<i>Total Nonspendable</i>	34,002	0	0	34,002
<i>Restricted for</i>				
Set Asides	20,602	0	0	20,602
Good Samaritan Marketing	5,677	0	0	5,677
District Managed Activity	0	0	67,305	67,305
Vocation Education	0	0	496	496
Capital Improvements	0	325,708	83,785	409,493
<i>Total Restricted</i>	26,279	325,708	151,586	503,573
<i>Assigned to</i>				
Other Purposes	35,766	0	0	35,766
Principals Fund	122,845	0	0	122,845
<i>Total Assigned</i>	158,611	0	0	158,611
<i>Unassigned (Deficit)</i>	1,092,655	0	(41,149)	1,051,506
<i>Total Fund Balances</i>	\$1,311,547	\$325,708	\$110,437	\$1,747,692

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$34,953		\$35,402
Cash Assistance:						
National School Breakfast Program	2012	10.553	\$37,664		\$37,664	
National School Lunch Program	2012	10.555	166,510		166,510	
Total Child Nutrition Cluster			<u>204,174</u>	<u>34,953</u>	<u>204,174</u>	<u>35,402</u>
Total U.S. Department of Agriculture			<u>204,174</u>	<u>34,953</u>	<u>204,174</u>	<u>35,402</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	197,036		197,036	
ARRA - Special Education - Grants to States	2011	84.391	14,001		18,831	
Total Special Education Grants to States			<u>211,037</u>		<u>215,867</u>	
Special Education - Preschool Grants	2012	84.173	3,294		3,294	
Total Special Education Cluster			<u>214,331</u>		<u>219,161</u>	
Title I Grants to Local Educational Agencies	2012	84.010	92,966		104,148	
ARRA - Title I	2011	84.389	(1)		8,810	
Total Title I Grants to Local Educational Agencies			<u>92,965</u>		<u>112,958</u>	
Education Technology State Grants	2012	84.318	1,048		-	
Improving Teacher Quality State Grants	2012	84.367	48,511		47,325	
	2011	84.367	-		4,057	
Total Improving Teacher Quality State Grants			<u>48,511</u>		<u>51,382</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	-		34,808	
Education Jobs	2012	84.410	47,008		49,547	
	2011	84.410	7,849		7,849	
Total Education Jobs			<u>54,857</u>		<u>57,396</u>	
Total U.S. Department of Education			<u>411,712</u>	<u>-</u>	<u>475,705</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$615,886</u>	<u>\$34,953</u>	<u>\$679,879</u>	<u>\$35,402</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 22, 2013.

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

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

Dave Yost
Auditor of State

February 22, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tri-County North Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Tri-County North Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, Tri-County North Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 22, 2013.

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



Dave Yost
Auditor of State

February 22, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 19, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

February 22, 2013

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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
MARCH 12, 2013