



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

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 general-purpose financial statements of Tri-County North Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Tri-County North Local School District, Preble County, as of June 30, 2002, and the results of its operations and the cash flows of its enterprise and nonexpendable trust funds for the fiscal 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 April 1, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

April 1, 2003

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**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,590,551	\$263,334	\$802,776	\$851,270
Receivables:				
Property Taxes	3,302,366	57,793	398,706	174,983
Accounts	127	0	0	0
Intergovernmental	26,963	107,595	0	0
Accrued Interest	5,561	0	0	0
Interfund	34,473	0	0	0
Inventory of Supplies and Materials	29,643	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	170,560	0	0	0
Investments with Fiscal Agent	0	0	0	1,190,000
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$8,160,244</u>	<u>\$428,722</u>	<u>\$1,201,482</u>	<u>\$2,216,253</u>

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$129,016	\$71,005	\$0	\$0	\$6,707,952
0	0	0	0	3,933,848
15,949	0	0	0	16,076
8,863	0	0	0	143,421
0	0	0	0	5,561
0	0	0	0	34,473
233	0	0	0	29,876
5,011	0	0	0	5,011
0	0	0	0	170,560
0	0	0	0	1,190,000
59,745	0	17,586,863	0	17,646,608
0	0	0	812,339	812,339
0	0	0	1,531,683	1,531,683
<u>\$218,817</u>	<u>\$71,005</u>	<u>\$17,586,863</u>	<u>\$2,344,022</u>	<u>\$32,227,408</u>

(Continued)

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002
(Continued)**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$22,795	\$5,573	\$0	\$37,884
Contracts Payable	0	0	0	1,059
Accrued Wages and Benefits Payable	542,563	34,297	0	0
Intergovernmental Payable	130,050	7,227	0	0
Interfund Payable	0	34,473	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,229,615	57,618	389,143	169,895
Compensated Absences Payable	33,632	0	0	0
Notes Payable	0	0	0	1,325,000
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,958,655	139,188	389,143	1,533,838
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	137,151	74,162	0	95,892
Reserved for Property Taxes	78,312	175	9,563	5,088
Reserved for Contributions	0	0	0	0
Reserved for Textbooks and Instructional Materials	83,448	0	0	0
Reserved for Budget Stabilization	36,010	0	0	0
Reserved for School Bus Purchases	51,102	0	0	0
Reserved for Debt Service	0	0	0	1,325,000
Unreserved:				
Designated for Textbooks and Instructional Materials	126,141	0	0	0
Designated for Budget Stabilization	262,536	0	0	0
Undesignated	3,426,889	215,197	802,776	(743,565)
Total Fund Equity and Other Credits	4,201,589	289,534	812,339	682,415
Total Liabilities, Fund Equity and Other Credits	\$8,160,244	\$428,722	\$1,201,482	\$2,216,253

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$207	\$2,904	\$0	\$0	\$69,363
0	0	0	0	1,059
8,144	0	0	0	585,004
12,142	0	0	45,206	194,625
0	0	0	0	34,473
0	54,731	0	0	54,731
0	0	0	0	3,846,271
20,220	0	0	128,816	182,668
0	0	0	1,190,000	2,515,000
0	0	0	980,000	980,000
<u>40,713</u>	<u>57,635</u>	<u>0</u>	<u>2,344,022</u>	<u>8,463,194</u>
0	0	17,586,863	0	17,586,863
178,104	0	0	0	178,104
0	0	0	0	307,205
0	0	0	0	93,138
0	11,547	0	0	11,547
0	0	0	0	83,448
0	0	0	0	36,010
0	0	0	0	51,102
0	0	0	0	1,325,000
0	0	0	0	126,141
0	0	0	0	262,536
0	1,823	0	0	3,703,120
<u>178,104</u>	<u>13,370</u>	<u>17,586,863</u>	<u>0</u>	<u>23,764,214</u>
<u>\$218,817</u>	<u>\$71,005</u>	<u>\$17,586,863</u>	<u>\$2,344,022</u>	<u>\$32,227,408</u>

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Revenues:					
Property Taxes	\$2,873,005	\$49,639	\$341,081	\$151,383	\$3,415,108
Intergovernmental	3,833,655	433,918	35,930	80,532	4,384,035
Interest	125,356	0	0	66,196	191,552
Tuition and Fees	102,781	0	0	0	102,781
Rent	2,124	0	0	0	2,124
Extracurricular Activities	0	118,711	0	0	118,711
Gifts and Donations	11,106	14,599	0	0	25,705
Miscellaneous	420,028	5,108	0	19,574	444,710
Total Revenues	<u>7,368,055</u>	<u>621,975</u>	<u>377,011</u>	<u>317,685</u>	<u>8,684,726</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,125,990	78,282	0	98,079	3,302,351
Special	692,872	167,727	0	981	861,580
Vocational	121,643	0	0	627	122,270
Other	20,629	0	0	0	20,629
Support Services:					
Pupils	299,797	63,998	0	105	363,900
Instructional Staff	247,686	40,818	0	10,758	299,262
Board of Education	14,112	0	0	0	14,112
Administration	773,356	11,661	0	15,373	800,390
Fiscal	135,720	1,223	8,830	3,728	149,501
Operation and Maintenance of Plant	505,221	14,794	0	245,744	765,759
Pupil Transportation	363,001	408	0	340	363,749
Central	12,641	19,500	0	14,500	46,641
Extracurricular Activities	170,769	128,719	0	0	299,488
Capital Outlay	11,088	0	0	323,628	334,716
Debt Service:					
Principal Retirement	0	0	120,000	0	120,000
Interest and Fiscal Charges	0	0	89,491	3,565	93,056
Total Expenditures	<u>6,494,525</u>	<u>527,130</u>	<u>218,321</u>	<u>717,428</u>	<u>7,957,404</u>
Excess of Revenues Over (Under)					
Expenditures	<u>873,530</u>	<u>94,845</u>	<u>158,690</u>	<u>(399,743)</u>	<u>727,322</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	0	0	0	263	263
Proceeds from Sale of Notes	0	0	0	1,190,000	1,190,000
Operating Transfers In	0	0	0	202,113	202,113
Operating Transfers Out	0	0	(202,113)	0	(202,113)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(202,113)</u>	<u>1,392,376</u>	<u>1,190,263</u>
Excess of Revenues and Other					
Financing Sources Over (Under)					
Expenditures and Other Financing Uses	873,530	94,845	(43,423)	992,633	1,917,585
Fund Balances (Deficit) at Beginning of Year	<u>3,328,059</u>	<u>194,689</u>	<u>855,762</u>	<u>(310,218)</u>	<u>4,068,292</u>
Fund Balances at End of Year	<u>\$4,201,589</u>	<u>\$289,534</u>	<u>\$812,339</u>	<u>\$682,415</u>	<u>\$5,985,877</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Property Taxes	\$2,873,105	\$2,873,105	\$0
Intergovernmental	3,833,706	3,833,706	0
Interest	125,208	125,208	0
Tuition and Fees	102,741	102,741	0
Rent	2,124	2,124	0
Extracurricular Activities	0	0	0
Gifts and Donations	11,106	11,106	0
Miscellaneous	421,120	421,120	0
Total Revenues	<u>7,369,110</u>	<u>7,369,110</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,122,493	3,122,493	0
Special	723,140	723,140	0
Vocational	119,749	119,749	0
Other	16,157	16,157	0
Support Services:			
Pupils	329,506	329,506	0
Instructional Staff	245,502	245,502	0
Board of Education	14,437	14,437	0
Administration	781,757	781,757	0
Fiscal	136,534	136,534	0
Operation and Maintenance of Plant	546,791	546,791	0
Pupil Transportation	415,474	415,474	0
Central	12,641	12,641	0
Extracurricular Activities	172,882	172,882	0
Capital Outlay	20,788	20,788	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>6,657,851</u>	<u>6,657,851</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>711,259</u>	<u>711,259</u>	<u>0</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	5,888	5,888	0
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	69,700	69,700
Advances Out	(104,173)	(104,173)	0
Total Other Financing Sources (Uses)	<u>(98,285)</u>	<u>(28,585)</u>	<u>69,700</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	612,974	682,674	69,700
Fund Balances at Beginning of Year	3,764,417	3,764,417	0
Prior Year Encumbrances Appropriated	151,411	151,411	0
Fund Balances at End of Year	<u>\$4,528,802</u>	<u>\$4,598,502</u>	<u>\$69,700</u>

(Continued)

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (Continued)**

	SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Property Taxes	\$50,689	\$50,689	\$0
Intergovernmental	325,599	325,599	0
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	119,074	119,074	0
Gifts and Donations	14,599	14,599	0
Miscellaneous	5,312	5,312	0
Total Revenues	<u>515,273</u>	<u>515,273</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	127,246	127,246	0
Special	170,105	170,105	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	61,706	61,706	0
Instructional Staff	35,852	35,852	0
Board of Education	0	0	0
Administration	11,608	11,608	0
Fiscal	1,223	1,223	0
Operation and Maintenance of Plant	23,582	23,582	0
Pupil Transportation	906	906	0
Central	19,500	19,500	0
Extracurricular Activities	146,574	146,574	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>598,302</u>	<u>598,302</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(83,029)</u>	<u>(83,029)</u>	<u>0</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	0	0	0
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	34,473	84,173	49,700
Advances Out	(49,700)	(49,700)	0
Total Other Financing Sources (Uses)	<u>(15,227)</u>	<u>34,473</u>	<u>49,700</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(98,256)	(48,556)	49,700
Fund Balances at Beginning of Year	172,699	172,699	0
Prior Year Encumbrances Appropriated	54,056	54,056	0
Fund Balances at End of Year	<u>\$128,499</u>	<u>\$178,199</u>	<u>\$49,700</u>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$341,956	\$341,956	\$0	\$149,962	\$149,962	\$0
35,930	35,930	0	100,309	100,309	0
0	0	0	63,909	63,909	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	19,574	19,574	0
<u>377,886</u>	<u>377,886</u>	<u>0</u>	<u>333,754</u>	<u>333,754</u>	<u>0</u>
0	0	0	126,359	126,359	0
0	0	0	981	981	0
0	0	0	1,701	1,701	0
0	0	0	0	0	0
0	0	0	1,490	1,490	0
0	0	0	15,492	15,492	0
0	0	0	0	0	0
0	0	0	21,374	21,374	0
8,830	8,830	0	3,728	3,728	0
0	0	0	295,286	295,286	0
0	0	0	11,408	11,408	0
0	0	0	14,500	14,500	0
0	0	0	0	0	0
0	0	0	370,035	370,035	0
250,000	1,575,000	(1,325,000)	0	0	0
161,604	161,604	0	0	0	0
<u>420,434</u>	<u>1,745,434</u>	<u>(1,325,000)</u>	<u>862,354</u>	<u>862,354</u>	<u>0</u>
<u>(42,548)</u>	<u>(1,367,548)</u>	<u>(1,325,000)</u>	<u>(528,600)</u>	<u>(528,600)</u>	<u>0</u>
0	0	0	0	0	0
0	1,325,000	1,325,000	0	1,190,000	1,190,000
0	0	0	263	263	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>1,325,000</u>	<u>1,325,000</u>	<u>263</u>	<u>1,190,263</u>	<u>1,190,000</u>
(42,548)	(42,548)	0	(528,337)	661,663	1,190,000
844,824	844,824	0	928,821	928,821	0
500	500	0	308,070	308,070	0
<u>\$802,776</u>	<u>\$802,776</u>	<u>\$0</u>	<u>\$708,554</u>	<u>\$1,898,554</u>	<u>\$1,190,000</u>

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**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
Operating Revenues:			
Sales	\$242,254	\$0	\$242,254
Interest	0	687	687
Charges for Services	22,009	0	22,009
Other	454	0	454
Total Operating Revenues	<u>264,717</u>	<u>687</u>	<u>265,404</u>
Operating Expenses:			
Salaries	143,935	0	143,935
Fringe Benefits	36,545	0	36,545
Purchased Services	1,291	0	1,291
Materials and Supplies	21,632	0	21,632
Cost of Sales	196,418	0	196,418
Depreciation	8,905	0	8,905
Other	0	87	87
Total Operating Expenses	<u>408,726</u>	<u>87</u>	<u>408,813</u>
Operating Income (Loss)	<u>(144,009)</u>	<u>600</u>	<u>(143,409)</u>
Non-Operating Revenues (Expenses):			
Interest	3,703	0	3,703
Loss on Disposal of Fixed Assets	(1,970)	0	(1,970)
Federal and State Subsidies	86,067	0	86,067
Federal Donated Commodities	26,054	0	26,054
Total Non-Operating Revenues (Expenses)	<u>113,854</u>	<u>0</u>	<u>113,854</u>
Net Income (Loss)	<u>(30,155)</u>	<u>600</u>	<u>(29,555)</u>
Retained Earnings/Fund Balance at Beginning of Year	<u>208,259</u>	<u>12,770</u>	<u>221,029</u>
Retained Earnings/Fund Balance at End of Year	<u>\$178,104</u>	<u>\$13,370</u>	<u>\$191,474</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	ENTERPRISE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Sales	\$236,866	\$236,866	\$0
Interest	3,703	3,703	0
Federal and State Subsidies	77,204	77,204	0
Refund of Prior Year's Expense	2,552	2,552	0
Other	21,307	21,307	0
Total Revenues	<u>341,632</u>	<u>341,632</u>	<u>0</u>
Expenses:			
Salaries	140,419	140,419	0
Fringe Benefits	38,224	38,224	0
Purchased Services	1,423	1,423	0
Materials and Supplies	193,222	193,222	0
Capital Outlay	15,128	15,128	0
Other	0	0	0
Total Expenses	<u>388,416</u>	<u>388,416</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(46,784)	(46,784)	0
Advances In	0	20,000	20,000
Advances Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Advances	(66,784)	(46,784)	20,000
Fund Equity at Beginning of Year	136,930	136,930	0
Prior Year Encumbrances Appropriated	24,698	24,698	0
Fund Equity at End of Year	<u>\$94,844</u>	<u>\$114,844</u>	<u>\$20,000</u>

See Accompanying Notes to the General Purpose Financial Statements

NONEXPENDABLE TRUST FUND

REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0
691	691	0
0	0	0
0	0	0
0	0	0
<u>691</u>	<u>691</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
87	87	0
<u>87</u>	<u>87</u>	<u>0</u>
604	604	0
0	0	0
0	0	0
<u>604</u>	<u>604</u>	<u>0</u>
12,679	12,679	0
87	87	0
<u>\$13,370</u>	<u>\$13,370</u>	<u>\$0</u>

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$238,586	\$0	\$238,586
Cash Received from Other Operating Receipts	23,406	0	23,406
Cash Payments for Employee Services and Benefits	(178,643)	0	(178,643)
Cash Payments to Suppliers for Goods and Services	(196,071)	0	(196,071)
Cash Payments for Other Operating Expenses	0	(87)	(87)
Net Cash Used In Operating Activities	<u>(112,722)</u>	<u>(87)</u>	<u>(112,809)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	77,204	0	77,204
Advances In	20,000	0	20,000
Advances Out	(20,000)	0	(20,000)
Net Cash Provided By Noncapital Financing Activities	<u>77,204</u>	<u>0</u>	<u>77,204</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(797)	0	(797)
Cash Flows from Investing Activities:			
Interest	3,703	687	4,390
Net Increase (Decrease) in Cash and Cash Equivalents	(32,612)	600	(32,012)
Cash and Cash Equivalents Beginning of Year	161,628	12,770	174,398
Cash and Cash Equivalents End of Year	<u>\$129,016</u>	<u>\$13,370</u>	<u>\$142,386</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$144,009)	\$600	(\$143,409)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	8,905	0	8,905
Donated Commodities Used	25,517	0	25,517
Nonexpendable Trust Interest	0	(687)	(687)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(4,458)	0	(4,458)
Decrease in Inventory of Supplies and Materials	2,554	0	2,554
Increase in Inventory Held for Resale	(2,033)	0	(2,033)
Decrease in Accounts Payable	(1,035)	0	(1,035)
Increase in Accrued Wages and Benefits Payable	389	0	389
Decrease in Intergovernmental Payable	(1,406)	0	(1,406)
Increase in Compensated Absences Payable	2,854	0	2,854
Net Cash Used In Operating Activities	<u>(112,722)</u>	<u>(87)</u>	<u>(112,809)</u>

Non-Cash Transaction:

During fiscal year 2002, the Food Service Enterprise Fund received \$26,054 in donated commodities.

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents-All Fiduciary Funds	\$71,005
Cash and Cash Equivalents-Agency Fund	<u>(57,635)</u>
Cash and Cash Equivalents-Nonexpendable Trust Fund	<u>\$13,370</u>

See Accompanying Notes to the General Purpose Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Tri-County North Local School District (the "School District") was created from the northern half of the Twin Valley School District in 1983. In August, 1990, a K-12 facility was dedicated as one of Ohio's newest public school districts. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's three instructional/support facilities.

Reporting Entity:

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

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

The School District participates in three jointly governed organizations, two insurance purchasing pools and one shared risk pool. These organizations are the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), the Ohio School Plan (OSP), and the Preble County Consortium, respectively. These organizations are presented in Notes 17, 18 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. A portion of the Title II Special Revenue Fund grant activity that is administered by the fiscal agent was not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

Tax Budget:

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year at the function level for all funds, other than the Title II Special Revenue Fund and the Agency Fund, consistent with statutory provisions. Prior to year-end the School District passed appropriations that matched actual expenditures plus encumbrances at fiscal year-end.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including enterprise funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, the School District's investments included certificates of deposit, money market mutual funds and Federal Home Loan Mortgage Corporation Notes. Except for certificates of deposit, which are reported at cost, investments are reported at fair value which is based on quoted market prices.

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 2002 amounted to \$125,356, which includes \$41,304 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Interfund Receivables/Payables

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of enterprise funds consist of donated food, purchased food and non-food supplies held for resale. All inventory is expensed when used.

G. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the general fund include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, and to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides. Restricted assets in the capital projects funds are investments that are restricted for the payment of debt.

H. Fixed Assets

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

I. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

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

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, contributions, textbooks and instructional materials, budget stabilization and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for contributions signifies the legal restrictions on the use of principal in the nonexpendable trust fund. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Designations

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for textbooks and instructional materials and budget stabilization which exceed the statutory required amount.

M. Interfund Transactions

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

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the EMIS and Title VI-B, Special Revenue Funds had deficit fund balances of \$23 and \$3,030, respectively. The School Renovation Special Revenue Fund had a deficit fund balance of \$150. The deficit in the Title VI-B Special Revenue Fund will be eliminated when the advance is repaid. The General Fund regularly provides transfers to other funds to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The Bond Retirement Debt Service Fund, Debt Service Function, Principal Retirement Object had an excess of expenditures plus encumbrances of \$1,575,000 over appropriations of \$250,000 for an excess of \$1,325,000 for the fiscal year ended June 30, 2002.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the enterprise funds and the nonexpendable trust fund (GAAP basis).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
6. The School District did not budget for the activities of the Title II Special Revenue Fund administered by the fiscal agent (budget basis). However, the activities of the fiscal agent that pertain to Tri-County North Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$873,531	\$94,845	(\$43,423)	\$992,633
Revenue Accruals	6,492	(102,524)	875	18,679
Expenditure Accruals	(11,512)	6,505	(72,113)	(10,091)
Note Principal Payment	0	0	(1,455,000)	0
Non-Budgeted Funds	0	3,280	0	0
Unrecorded Cash	450	(4,178)	0	(2,610)
Note Proceeds	0	0	1,325,000	0
Bond Proceeds	0	0	0	0
Transfers	0	0	202,113	(202,113)
Advances	(34,473)	34,473	0	0
Encumbrances	(151,814)	(80,957)	0	(134,835)
Budget Basis	<u>\$682,674</u>	<u>(\$48,556)</u>	<u>(\$42,548)</u>	<u>\$661,663</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses and Advances
All Enterprise Funds and Nonexpendable Trust Fund

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	(\$30,155)	\$600
Revenue Accruals	(7,200)	0
Expense Accruals	(2,307)	0
Unrecorded Cash	(5,655)	4
Acquisition of Capital Assets	(797)	0
Inventory of Materials and Supplies	(2,554)	0
Inventory Held for Resale	2,033	0
Donated Commodities	(537)	0
Depreciation Expense	8,905	0
Encumbrances	(8,517)	0
Budget Basis	<u>(\$46,784)</u>	<u>\$604</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$4,871,140 and the bank balance was \$5,076,961. Of the bank balance:

1. \$239,372 of the bank balance was covered by federal depository insurance;
2. \$242,482 was covered by a \$3,000,000 letter of credit with Federal Home Loan Bank of Cincinnati listing Tri-County North Local School District as the beneficiary; and
3. \$4,595,107 was considered uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Unclassified	Carrying/Fair Value
Fifth Third Institutional				
Money Market Mutual Fund	\$0	\$0	\$1,006,432	\$1,006,432
Federal Home Loan Mortgage Corporation Notes	1,000,940	0	0	1,000,940
Investment with Bayerische Hypo Und Vereinsbank	0	1,190,000	0	1,190,000
Total	\$1,000,940	\$1,190,000	\$1,006,432	\$3,197,372

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,878,512	\$1,190,000
Investments:		
Fifth Third Institutional		
Money Market Mutual Fund	(1,006,432)	1,006,432
Federal Home Loan Mortgage Corporation Notes	(1,000,940)	1,000,940
GASB Statement No. 3	\$4,871,140	\$3,197,372

NOTE 6 - PROPERTY TAXES

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$83,907,390	76.02%	\$86,261,160	75.48%
Public Utility	7,090,800	6.43%	6,253,800	5.47%
Tangible Personal Property	19,375,373	17.55%	21,777,160	19.05%
Total Assessed Value	<u>\$110,373,563</u>	<u>100.00%</u>	<u>\$114,292,120</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$42.33		\$41.53

The tax rate decreased due to a decrease in the millage of the emergency levy, which is a fixed dollar levy. In order to generate the same amount of revenue every year, the millage is decreased as property values increase.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Darke, Montgomery and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2002 was \$93,138 and is recognized as revenue. \$78,312 was available to the General Fund, \$175 was available to the Classroom Facilities Maintenance Special Revenue Fund, \$9,563 was available to the Bond Retirement Debt Service Fund, and \$5,088 was available to the Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (rents, tuition, and student fees), intergovernmental, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

Intergovernmental Receivables	Amounts
General Fund:	
Excess Costs	\$26,963
Special Revenue Funds:	
Title VI-B	34,473
Title I	53,442
Title VI	4,427
Title VI-R	15,253
Total Special Revenue Funds	107,595
Enterprise Fund:	
Federal and State Subsidies	8,863
Total Intergovernmental Receivables	\$143,421

NOTE 8 – FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$105,955
Less Accumulated Depreciation	(46,210)
Net Fixed Assets	\$59,745

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 8 – FIXED ASSETS (continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 06/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/02</u>
Land and Improvements	\$568,964	\$74,153	\$0	\$643,117
Buildings and Improvements	13,494,778	0	0	13,494,778
Furniture, Fixtures and Equipment	639,127	159,802	15,308	783,621
Vehicles	2,685,307	0	19,960	2,665,347
Total General Fixed Assets	<u>\$17,388,176</u>	<u>\$233,955</u>	<u>\$35,268</u>	<u>\$17,586,863</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Indiana Insurance for property insurance, and Nationwide Insurance for liability, fleet insurance, and inland marine coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$10,780,650
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Coverage provided by Nationwide Insurance is as follows:

Bus Fleet	1,000,000
Comprehensive (\$50 deductible)	
Collision (\$500 deductible)	
Uninsured Motorists	
Per Occurrence	1,000,000
Total Per Year	1,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 18).

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

Excess Liability Limit per occurrence/per offense/per accident	\$2,000,000
Excess Liability Policy Aggregate	2,000,000
Underlying Coverage:	
Educational General Liability	
Each occurrence Limit	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	1,000,000
Employers Liability – Stop Gap	
EL-Stop Gap-Each Accident Limit	1,000,000
EL-Stop Gap-Per Disease-Each Employee Limit	1,000,000

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT (continued)

Employee Benefits Liability – Claims Made From	
Each Offense Limit	\$1,000,000
Employee Benefits Aggregate Limit	2,000,000
Defense Cost Cap	1,000,000

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

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2002, the School District participated in the Preble County Consortium (the Consortium), a shared risk pool consisting of five local school districts and an educational service center (See Note 19). The School District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all the Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$57,453, \$32,341, and \$39,399, respectively; 58.34 percent was contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$23,934, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$325,423, \$324,502, and \$178,935, respectively; 82.53 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$56,867 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The four remaining Board members contributed to SERS.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$154,148 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$98,237.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2002, were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
School Improvement Bonds, 1986 8.125%	\$1,100,000	\$0	\$120,000	\$980,000
OASBO Notes, 2002 4.28%	0	1,190,000	0	1,190,000
Other Long-Term Obligations:				
Intergovernmental Payable	48,921	45,206	48,921	45,206
Compensated Absences	125,021	3,795	0	128,816
Total General Long-Term Obligations	<u>\$1,273,942</u>	<u>\$1,239,001</u>	<u>\$168,921</u>	<u>\$2,344,022</u>

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Tri-County North Local School OASBO Notes - The High School Notes were issued through the Ohio Association of School Business Officials (OASBO). The notes were issued April 25, 2002, for the purpose of constructing and improving school facilities and providing equipment, furnishings and site improvement (the project). The OASBO Expanded Asset Pooled Financing Program allows participating school districts to enter into agreements to finance improvements to achieve debt service and issuance cost savings compared to the school districts financing their respective improvements separately. The Rickenbacker Port Authority (Port Authority) is authorized to assist in financing the construction of certain assets for public school districts in the State of Ohio. The Port Authority has entered into a trust agreement with Chase Manhattan Trust Company (the trustee) as trustee assigning payments to be received to the trustee and authorizing the issuance and sale of bonds constituting special obligations of the Port Authority payable solely from the trust estate. The School District is required to assign all of its rights of the project to the Port Authority. The debt will mature January 1, 2007, and will be retired from the Stay at Home Capital Projects Fund.

Compensated absences will be paid from the funds from which the employee's salary is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the funds from which the employee's salary is paid.

The School District's overall legal debt margin was \$9,773,630 with an unvoted debt margin of \$114,292 at June 30, 2002. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$125,000	\$124,595	\$249,595
2004	265,000	111,720	376,720
2005	275,000	95,823	370,823
2006	280,000	79,622	359,622
2007	295,000	63,020	358,020
2008-2010	930,000	77,079	1,007,079
Total	<u>\$2,170,000</u>	<u>\$551,859</u>	<u>\$2,721,859</u>

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - NOTES PAYABLE

A summary of the short-term note transactions for the fiscal year ended June 30, 2002, follows:

Fund/Issue	Interest Rate	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Stay at Home Capital Projects Fund					
Bond Anticipation Notes	4.41%	\$1,455,000	\$1,325,000	\$1,455,000	\$1,325,000

During fiscal year 2002, the School District refinanced the Bond Anticipation Notes for permanent improvement, in the amount of \$1,325,000. The notes are backed by the full faith and credit of the School District, and are payable from the Stay at Home Capital Projects Fund, the fund which received the proceeds. The notes carry an interest rate of 3.18 percent and mature on July 18, 2002.

NOTE 15 – INTERFUND ACTIVITY

At June 30, 2002, the General Fund had an interfund receivable and the Title VI-B Special Revenue Fund had an interfund payable in the amount of \$34,473.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and latchkey. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Latchkey	Total
Operating Revenues	\$190,327	\$52,135	\$22,255	\$264,717
Depreciation	8,905	0	0	8,905
Operating Income (Loss)	(150,041)	8,642	(2,610)	(144,009)
Federal and State Subsidies	86,067	0	0	86,067
Interest	3,703	0	0	3,703
Loss on Sale of Fixed Assets	(1,970)	0	0	(1,970)
Federal Donated Commodities	26,054	0	0	26,054
Net Income (Loss)	(36,187)	8,642	(2,610)	(30,155)
Long-Term Liabilities	20,220	0	0	20,220
Fixed Asset Additions	797	0	0	797
Fixed Asset Deletions	13,886	0	0	13,886
Net Working Capital	94,530	40,504	3,545	138,579
Total Assets	171,860	40,655	6,302	218,817
Total Fund Equity	134,055	40,504	3,545	178,104
Total Encumbrances	5,570	2,517	430	8,517

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, 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 \$32,872 for services provided during the year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

Payments to SOEPC are made from the general fund. During fiscal year 2002, the Tri-County North Local School District paid \$10,804 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. 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 General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (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 2002, the School District paid \$6,734 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 18 - 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 eleven 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 GRP serves as the coordinator of the program. Each year, the participating school districts 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 Ohio School Plan (OSP) is 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 purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 19 - SHARED RISK POOL

Preble County Consortium - The Preble County Consortium (the Consortium), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The Consortium is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Consortium and their designated insurance company. The Consortium is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Consortium may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Consortium. Financial information can be obtained from Teresa Freeman, who serves as Treasurer, at 101 E. Main Street, Eaton, Ohio 45320.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments as follows:

Vendor	Contract Amount	Amount Expended	Balance At 6/30/02
Hobbs Excavating	\$58,395	\$0	\$58,395
Cardinal Bus Sales	11,068	0	11,068
Wenger Temperature Mechanical System	10,000 8,148	5,242 0	4,758 8,148
Primax Education Services	5,824	1,120	4,704
Salem Office Products	5,530	0	5,530
Wm. Kramer & Sons	5,000	857	4,143
Total	<u>\$103,965</u>	<u>\$7,219</u>	<u>\$96,746</u>

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2001	\$79,291	\$0	\$36,010
Current Year Set-aside Requirement	144,880	144,880	0
Qualifying Disbursements	<u>(140,723)</u>	<u>(209,949)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$83,448</u>	<u>(\$65,069)</u>	<u>\$36,010</u>
Set-aside Reserve Balances as June 30, 2002	<u>\$83,448</u>	<u>\$0</u>	<u>\$36,010</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount may be used to reduce the set-aside requirements in future years. The total reserve balance reported on the balance sheet as of June 30, 2002 for the textbooks/instructional materials set-aside and the reserve balance for budget stabilization was \$119,458.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 2002

NOTE 22 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

NOTE 23 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 24 – MATERIAL NONCOMPLIANCE

The District did not properly encumber all expenditures.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	n/a	10.550		\$19,714		\$21,199
Child Nutrition Cluster: National School Breakfast Program	091397-05-PU-01 091397-05-PU-02	10.553	\$1,158 <u>6,716</u>		\$1,158 <u>6,716</u>	
Total National School Breakfast Program			<u>7,874</u>		<u>7,874</u>	
National School Lunch Program	091397-LL-P4-01 091397-LL-P4-02	10.555	9,169 <u>55,496</u>		9,169 <u>55,496</u>	
Total National School Lunch Program			<u>64,665</u>		<u>64,665</u>	
Total Child Nutrition Cluster			<u>72,539</u>		<u>72,539</u>	
Total U.S. Department of Agriculture			<u>72,539</u>	<u>19,714</u>	<u>72,539</u>	<u>21,199</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	091397-6B-SF-02P	84.027	35,774		67,668	
Special Education - Preschool Grant	091397-PG-S1-02P 091397-PG-S1-01P	84.173	3,535		2,491 <u>785</u>	
Total Special Education - Preschool Grant			3,535		3,276	
Total Special Education Cluster			<u>39,309</u>		<u>70,944</u>	
Grants to Local Educational Agencies (ESEA Title I)	091397-C1-S1-02 091397-C1-S1-01	84.010	132,463		132,463 <u>33,880</u>	
Total Grants to Local Educational Agencies			132,463		166,343	
School Renovation, Idea & Technology	091397-ATS1-02	84.352A	1,954		1,954	
Drug Free Schools	091397-DR-S1-02	84.186	4,731		4,731	
Eisenhower Professional Development Grant	091397-MS-S1-02	84.281	6,923		6,923	
Innovative Education Program Strategies	091397-C2-S1-02	84.298	1,808		1,808	
Class Size Reduction	091397-CR-S1-02	84.340	<u>21,517</u>		<u>21,517</u>	
Total U.S. Department of Education			<u>208,705</u>		<u>274,220</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$281,244</u>	<u>\$19,714</u>	<u>\$346,759</u>	<u>\$21,199</u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Tri-County North Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated April 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 1, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10368-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that

are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated April 1, 2003.

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

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

Betty Montgomery
Auditor of State

April 1, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

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 are applicable to its major federal program for the fiscal year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

April 1, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING 2002-10368-001

Noncompliance/Reportable Condition

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

**FINDING 2002-10368-001
(Continued)**

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

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

Twenty-two percent of expenditures tested for the audit period were not properly certified and the exceptions listed above were not used. Failure to properly certify funds can result in overspending funds and negative cash fund balances.

We recommend the District properly certify funds by obtaining approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10368-001	Revised Code 5705.41(D), failure to properly certify funds	No	Not corrected – Reissued as Finding 2002-10368-001
2001-10368-002	Recommendation to improve record keeping and accountability of student activity receipts	No	Partially corrected – Reissued as management letter recommendation



**Auditor of State
Betty Montgomery**

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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
APRIL 15, 2003**