



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 13, 2009

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Tri-County North Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets decreased \$309,051, which represents a 2.07 percent decrease from fiscal year 2007.
- General revenues accounted for \$8,982,887 or 86.39 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, interest and contributions accounted for \$1,415,235 or 13.61 percent of total revenues of \$10,399,437.
- The School District had \$10,707,173 in expenses; only \$1,415,235 of these expenses were offset by program specific charges for services, operating and capital grants, interest, and contributions.
- Among major funds, the General Fund had \$8,633,082 in revenues and \$9,034,710 in expenditures. The General Fund's balance decreased \$427,035 over fiscal year 2007.

Using this Generally Accepted Accounting Principles (GAAP) Report

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

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Fiduciary Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2008:

Table 1
Net Assets

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Assets:			
Current and Other Assets	\$11,317,953	\$10,868,884	(\$449,069)
Capital Assets, Net	10,489,536	10,606,056	116,520
<i>Total Assets</i>	<u>21,807,489</u>	<u>21,474,940</u>	<u>(332,549)</u>
Liabilities:			
Other Liabilities	5,601,307	5,770,527	169,220
Long-Term Liabilities	1,256,740	1,064,022	(192,718)
<i>Total Liabilities</i>	<u>6,858,047</u>	<u>6,834,549</u>	<u>(23,498)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,559,536	9,976,056	416,520
Restricted	1,295,994	1,126,894	(169,100)
Unrestricted	4,093,912	3,537,441	(556,471)
<i>Total Net Assets</i>	<u>\$14,949,442</u>	<u>\$14,640,391</u>	<u>(\$309,051)</u>

Total net assets of governmental activities decreased by \$309,051. Total assets of governmental activities decreased \$332,549, as current assets decreased by \$449,069, mainly due to a decrease in cash and cash equivalents. This was due to a decrease in property tax revenue as a result of the phase out of tangible personal property. Capital assets increased \$116,520 due to significant building improvement projects completed during fiscal year 2008.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Total liabilities decreased \$23,498, as other liabilities increased \$169,220, mainly due to deferred revenue. Deferred revenue represents the amount of property tax revenue expected for collection during fiscal year 2009. Long-term liabilities decreased \$192,718 as a result of debt principal payments.

Invested in capital assets, net of related debt increased \$416,520 due to the increase in capital assets and the principal payments made in fiscal year 2008. The decrease of \$556,471 in unrestricted net assets was a result of the decrease in cash and cash equivalents due to decreased revenue. Restricted net assets decreased \$169,100 due to a decrease in restricted for capital outlay as a result of capital asset additions during fiscal year 2008.

Table 2 shows the changes in net assets for the fiscal years 2007 and 2008.

Table 2
Change in Net Assets

	2007	2008	Change
Revenues:			
Program Revenues:			
Charges for Services	\$579,627	\$548,442	(\$31,185)
Operating Grants, Interest, and Contributions	837,116	823,017	(14,099)
Capital Grants and Contributions	36,718	43,776	7,058
<i>Total Program Revenues</i>	<u>1,453,461</u>	<u>1,415,235</u>	<u>(38,226)</u>
General Revenues:			
Property Taxes	4,509,807	4,203,429	(306,378)
Grants and Entitlements not Restricted to Specific Programs	4,300,518	4,495,516	194,998
Investment Earnings	356,198	224,695	(131,503)
Gifts and Donations	4,660	8,027	3,367
Miscellaneous	7,703	51,220	43,517
<i>Total General Revenues</i>	<u>9,178,886</u>	<u>8,982,887</u>	<u>(195,999)</u>
<i>Total Revenues</i>	<u>\$10,632,347</u>	<u>\$10,398,122</u>	<u>(\$234,225)</u>

(continued)

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 2
Changes in Net Assets
(continued)

	2007	2008	Change
Program Expenses:			
Instruction:			
Regular	\$4,840,763	\$5,095,164	\$254,401
Special	753,813	797,145	43,332
Vocational	175,432	185,397	9,965
Support Services:			
Pupils	463,376	537,373	73,997
Instructional Staff	455,945	466,235	10,290
Board of Education	8,470	18,139	9,669
Administration	1,184,369	1,085,287	(99,082)
Fiscal	198,907	204,579	5,672
Operation and Maintenance of Plant	1,303,865	847,977	(455,888)
Pupil Transportation	454,500	536,715	82,215
Central	30,041	27,755	(2,286)
Operation of Non-Instructional Services	381,513	462,207	80,694
Extracurricular Activities	395,132	398,256	3,124
Interest and Fiscal Charges	62,078	44,944	(17,134)
<i>Total Expenses</i>	<u>10,708,204</u>	<u>10,707,173</u>	<u>(1,031)</u>
<i>Change in Net Assets</i>	(75,857)	(307,736)	(233,194)
<i>Net Assets at Beginning of Year</i>	<u>15,025,299</u>	<u>14,949,442</u>	<u>(75,857)</u>
<i>Net Assets at End of Year</i>	<u><u>\$14,949,442</u></u>	<u><u>\$14,640,391</u></u>	<u><u>(\$309,051)</u></u>

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property Taxes made up 40.42 percent of revenues for governmental activities for the School District for fiscal year 2008.

Total revenues decreased \$234,225 from fiscal year 2007. Property taxes decreased during fiscal year 2008 due to the phase out of tangible personal property tax. Grants and entitlements not restricted to specific programs were affected by this phase out as well. The State of Ohio is reimbursing a portion of the monies lost due to the phase out and is the primary reason for the increase from fiscal year 2007 and 2008. Investment earnings decreased due to a decrease in interest rates from fiscal year 2007.

Instruction comprises 56.76 percent of School District expenses. Support services expenses make up 34.78 percent of the expenses.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

In total expenses remained consistent from fiscal year 2007, decreasing only \$1,031. Regular instruction expenses increased due to an increase in staff levels as well as annual raises. Administration expenses decreased due to tight budgetary monitoring during fiscal year 2008. Operation and maintenance of plant decreased significantly due to various repairs and maintenance done during 2007 that were not needed in fiscal year 2008. Pupil transportation expenses increased significantly due to increased fuel costs. Operation of non-instructional services increased from fiscal year 2007 primarily due to the increased costs of food during fiscal year 2008.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Instruction:				
Regular	\$4,840,763	(\$4,628,253)	\$5,095,164	(\$4,884,364)
Special	753,813	(412,671)	797,145	(431,853)
Vocational	175,432	(149,527)	185,397	(159,219)
Support Services:				
Pupils	463,376	(295,853)	537,373	(398,007)
Instructional Staff	455,945	(450,246)	466,235	(462,768)
Board of Education	8,470	(8,470)	18,139	(18,139)
Administration	1,184,369	(1,176,989)	1,085,287	(1,079,967)
Fiscal	198,907	(133,671)	204,579	(204,579)
Operation and Maintenance of Plant	1,303,865	(1,266,190)	847,977	(796,179)
Pupil Transportation	454,500	(454,500)	536,715	(532,917)
Central	30,041	(21,041)	27,755	(18,755)
Operation of Non-Instructional Services	381,513	24,795	462,207	(25,549)
Extracurricular Activities	395,132	(220,049)	398,256	(234,698)
Interest and Fiscal Charges	62,078	(62,078)	44,944	(44,944)
<i>Total Expenses</i>	<u>\$10,708,204</u>	<u>(\$9,254,743)</u>	<u>\$10,707,173</u>	<u>(\$9,291,938)</u>

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The School District's Funds

Information about the School District's major funds starts on page 12. The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,305,325 and expenditures of \$11,020,144. The net change in fund balance for the General Fund was (\$427,035), and the Permanent Improvement Capital Projects Fund change in fund balance was (\$208,897). The General Fund reflects the decrease in revenues primarily in interest revenue as interest rates decreased significantly as well as an increase in expenditures due to an increase in personnel and staff raises. In the Permanent Improvement Capital Projects Fund the School District made several large purchases as well as building improvements that exceeded the revenue for the fiscal year.

General Fund Budgeting Highlights

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

For the General Fund, the final budgeted revenues estimate was \$8,654,646, a \$39,238 increase from the original budgeted revenues estimate of \$8,615,408, a less than one percent increase. 2008 revenues increased \$27,834 from final budgeted revenues.

During the course of fiscal year 2008, final appropriations decreased \$479,927 to \$9,212,345, from original appropriations of \$9,692,272, mainly because the School District has historically held conservative ways of spending so that needs can be met with the interest of the taxpayer in mind. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The School District has the basic belief that it should be prepared to operate in the best manner to meet the needs of those who are being educated. In order to do so, appropriations are made in excess of the minimum required funds to allow for variances in individual programs that are beneficial for the student body, yet economically sound.

There was no variance between final budget and actual expenditures because prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures.

Capital Assets

At the end of fiscal year 2008, the School District had \$10,606,056 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2008.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 4
Capital Assets (Net of Depreciation) at June 30,

	2007	2008
Land	\$380,453	\$459,890
Land Improvements	194,624	171,194
Buildings and Improvements	8,901,656	9,010,187
Furniture, Fixtures, and Equipment	891,181	803,249
Vehicles	121,622	161,536
<i>Totals</i>	\$10,489,536	\$10,606,056

Overall capital assets increased \$116,520 from fiscal year 2007 to fiscal year 2008. There were significant capital asset additions during the fiscal year that exceeded deletions and depreciation expense. For more information on capital assets, refer to Note 11 of the basic financial statements.

Debt Administration

At June 30, 2008, the School District had voted general obligation bonds, originally dated August 1, 1986, that will be retired on December 1, 2009 for the purpose of acquisition, construction, reconstruction, and other improvements for the school building. The OASBO notes were issued April 25, 2002 for the purpose of improving school facilities and will be retired on December 26, 2009. Table 5 summarizes the debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year-End
Governmental Activities

	2007	2008
School Improvement Bonds	\$365,000	\$245,000
OASBO Notes	565,000	385,000
<i>Totals</i>	\$930,000	\$630,000

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

Contacting the School District's Financial Management

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

Tri-County North Local School District

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,723,365
Accounts Receivable	15,749
Intergovernmental Receivable	23,868
Inventory of Supplies and Materials	30,558
Inventory Held for Resale	1,738
Property Taxes Receivable	5,073,606
Nondepreciable Capital Assets	459,890
Depreciable Capital Assets, Net	10,146,166
	<hr/>
<i>Total Assets</i>	21,474,940
Liabilities:	
Accounts Payable	17,355
Contracts Payable	67,375
Accrued Wages and Benefits Payable	825,800
Matured Compensated Absences Payable	22,995
Accrued Vacation Leave Payable	31,157
Accrued Interest Payable	1,899
Intergovernmental Payable	240,959
Deferred Revenue	4,562,987
Long-Term Liabilities:	
Due Within One Year	324,695
Due In More Than One Year	739,327
	<hr/>
<i>Total Liabilities</i>	6,834,549
Net Assets:	
Invested in Capital Assets, Net of Related Debt	9,976,056
Restricted for:	
Capital Projects	3,798
Debt Service	536,162
Other Purposes	140,901
Food Service	75,319
Classroom Facilities Maintenance	164,937
Set-Asides	205,777
Unrestricted	3,537,441
	<hr/>
<i>Total Net Assets</i>	\$14,640,391

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Interest and Contributions		
Governmental Activities:					
Instruction:					
Regular	\$5,095,164	\$115,700	\$95,100	\$0	(\$4,884,364)
Special	797,145	0	365,292	0	(431,853)
Vocational	185,397	4,867	21,311	0	(159,219)
Support Services:					
Pupils	537,373	0	139,366	0	(398,007)
Instructional Staff	466,235	0	3,467	0	(462,768)
Board of Education	18,139	0	0	0	(18,139)
Administration	1,085,287	0	5,320	0	(1,079,967)
Fiscal	204,579	0	0	0	(204,579)
Operation and Maintenance of Plant	847,977	0	11,820	39,978	(796,179)
Pupil Transportation	536,715	0	0	3,798	(532,917)
Central	27,755	0	9,000	0	(18,755)
Operation of Non-Instructional Services	462,207	264,317	172,341	0	(25,549)
Extracurricular Activities	398,256	163,558	0	0	(234,698)
Interest and Fiscal Charges	44,944	0	0	0	(44,944)
<i>Totals</i>	<u>\$10,707,173</u>	<u>\$548,442</u>	<u>\$823,017</u>	<u>\$43,776</u>	<u>(9,291,938)</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					3,730,025
Debt Service					275,034
Capital Outlay					146,570
Classroom Facilities Maintenance					51,800
Grants and Entitlements not Restricted to Specific Programs					4,495,516
Investment Earnings					224,695
Gifts and Donations					8,027
Miscellaneous					51,220
<i>Total General Revenues</i>					<u>8,982,887</u>
<i>Change in Net Assets</i>					(309,051)
<i>Net Assets at Beginning of Year</i>					<u>14,949,442</u>
<i>Net Assets at End of Year</i>					<u>\$14,640,391</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,483,496	\$96,804	\$933,490	\$5,513,790
Receivables:				
Property Taxes	4,501,191	182,847	389,568	5,073,606
Accounts	1,080	0	14,669	15,749
Intergovernmental	21,868	0	2,000	23,868
Interfund	126,835	0	0	126,835
Inventory of Supplies and Materials	25,549	0	5,009	30,558
Inventory Held for Resale	0	0	1,738	1,738
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	209,575	0	0	209,575
<i>Total Assets</i>	<u>\$9,369,594</u>	<u>\$279,651</u>	<u>\$1,346,474</u>	<u>\$10,995,719</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$15,214	\$0	\$2,141	\$17,355
Contracts Payable	0	67,375	0	67,375
Accrued Wages and Benefits Payable	808,212	0	17,588	825,800
Intergovernmental Payable	225,871	0	15,088	240,959
Interfund Payable	0	126,835	0	126,835
Deferred Revenue	4,277,252	174,777	385,972	4,838,001
Matured Compensated Absences Payable	0	0	22,995	22,995
<i>Total Liabilities</i>	<u>5,326,549</u>	<u>368,987</u>	<u>443,784</u>	<u>6,139,320</u>
Fund Balances:				
Reserved for Encumbrances	190,121	6,000	36,949	233,070
Reserved for Property Taxes	223,939	8,070	19,592	251,601
Reserved for Textbooks and Instructional Materials	169,767	0	0	169,767
Reserved for Budget Stabilization	36,010	0	0	36,010
Reserved for Bus Purchases	3,798	0	0	3,798
Unreserved, Designated for Termination Benefits	0	0	22,395	22,395
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	3,419,410	0	0	3,419,410
Special Revenue Funds	0	0	318,588	318,588
Debt Service Fund	0	0	505,166	505,166
Capital Projects Fund	0	(103,406)	0	(103,406)
<i>Total Fund Balances (Deficit)</i>	<u>4,043,045</u>	<u>(89,336)</u>	<u>902,690</u>	<u>4,856,399</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,369,594</u>	<u>\$279,651</u>	<u>\$1,346,474</u>	<u>\$10,995,719</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances	\$4,856,399
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Land	459,890	
Land Improvements	585,740	
Buildings and Improvements	13,893,792	
Furniture, Fixtures, and Equipment	3,492,087	
Vehicles	778,096	
Accumulated Depreciation	(8,603,549)	
Total Capital Assets	10,606,056	10,606,056

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

Property Taxes	259,018	
Charges for Services	823	
Tuition and Fees	13,173	
Intergovernmental	2,000	
	275,014	275,014

Long-term liabilities, including bonds and loans payable, accrued interest payable, and capital leases are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest Payable	(1,899)	
General Obligation Bonds Payable	(245,000)	
OASBO Notes Payable	(385,000)	
Accrued Vacation Leave Payable	(31,157)	
Compensated Absences	(434,022)	
Total Liabilities	(1,097,078)	(1,097,078)

<i>Net Assets of Governmental Activities</i>	\$14,640,391
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See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$3,638,922	\$143,300	\$318,746	\$4,100,968
Intergovernmental	4,633,333	39,978	685,980	5,359,291
Investment Earnings	239,405	0	1,018	240,423
Tuition and Fees	50,186	0	51,442	101,628
Rent	16,300	0	0	16,300
Extracurricular Activities	0	0	163,558	163,558
Gifts and Donations	6,210	0	1,817	8,027
Charges for Services	0	0	263,910	263,910
Miscellaneous	48,726	0	2,494	51,220
<i>Total Revenues</i>	<u>8,633,082</u>	<u>183,278</u>	<u>1,488,965</u>	<u>10,305,325</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,522,002	0	150,535	4,672,537
Special	611,153	0	184,274	795,427
Vocational	176,605	0	5,533	182,138
Support Services:				
Pupils	378,738	0	160,123	538,861
Instructional Staff	437,205	4,973	33,481	475,659
Board of Education	18,139	0	0	18,139
Administration	1,038,679	0	5,500	1,044,179
Fiscal	186,802	4,267	9,448	200,517
Operation and Maintenance of Plant	786,435	400,398	39,366	1,226,199
Pupil Transportation	563,967	0	1,050	565,017
Central	18,755	0	9,000	27,755
Operation of Non-Instructional Services	0	0	464,641	464,641
Extracurricular Activities	224,737	0	159,040	383,777
Capital Outlay	71,493	7,944	0	79,437
Debt Service:				
Principal Retirement	0	0	300,000	300,000
Interest and Fiscal Charges	0	0	45,861	45,861
<i>Total Expenditures</i>	<u>9,034,710</u>	<u>417,582</u>	<u>1,567,852</u>	<u>11,020,144</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(401,628)</u>	<u>(234,304)</u>	<u>(78,887)</u>	<u>(714,819)</u>
Other Financing Sources (Uses):				
Transfer In	0	25,407	0	25,407
Transfer Out	(25,407)	0	0	(25,407)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,407)</u>	<u>25,407</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(427,035)</u>	<u>(208,897)</u>	<u>(78,887)</u>	<u>(714,819)</u>
<i>Fund Balances at Beginning of Year</i>	<u>4,470,080</u>	<u>119,561</u>	<u>981,577</u>	<u>5,571,218</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$4,043,045</u>	<u>(\$89,336)</u>	<u>\$902,690</u>	<u>\$4,856,399</u>

Tri-County North Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (\$714,819)

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

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

Capital Outlay	629,137	
Depreciation Expense	(510,511)	
Excess of Capital Outlay Over Depreciation Expense		118,626

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

Loss on Disposal of Capital Assets		(2,106)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

General Obligation Bond Principal Payments	120,000	
OASBO Note Principal Payments	180,000	
		300,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest on the statement of activities is the result of the following.

Decrease in Accrued Interest		917
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Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	102,461	
Intergovernmental	2,000	
Tuition and Fees	2,639	
Interest	(14,710)	
Charges for Services	407	
Total		92,797

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

These activities consist of:

Decrease in Accrued Vacation Leave Payable	2,816	
Increase in Compensated Absences	(107,282)	
		(104,466)

Change in Net Assets of Governmental Activities (\$309,051)

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,857,198	\$3,718,815	\$3,718,815	\$0
Intergovernmental	4,540,456	4,624,778	4,624,778	0
Investment Earnings	172,695	236,244	264,078	27,834
Tuition and Fees	22,480	11,508	11,508	0
Rent	16,626	16,300	16,300	0
Gifts and Donations	5,915	6,210	6,210	0
Miscellaneous	38	40,791	40,791	0
<i>Total Revenues</i>	8,615,408	8,654,646	8,682,480	27,834
Expenditures:				
Current:				
Instruction:				
Regular	4,634,224	4,510,396	4,509,081	1,315
Special	687,554	612,022	612,022	0
Vocational	177,373	175,938	175,938	0
Support Services:				
Pupils	340,417	386,478	386,478	0
Instructional Staff	457,173	439,454	439,454	0
Board of Education	35,550	33,800	33,800	0
Administration	1,254,752	1,060,060	1,060,060	0
Fiscal	212,370	189,005	189,005	0
Operation and Maintenance of Plant	914,577	825,460	825,460	0
Pupil Transportation	651,802	657,221	657,221	0
Central	31,340	19,475	19,475	0
Extracurricular Activities	223,397	231,543	231,543	0
Capital Outlay	71,743	71,493	71,493	0
<i>Total Expenditures</i>	9,692,272	9,212,345	9,211,030	1,315
<i>Excess of Revenues Under Expenditures</i>	(1,076,864)	(557,699)	(528,550)	29,149
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	54,726	40,971	40,971	0
Transfers Out	0	0	(26,722)	(26,722)
Advances In	0	218,165	218,165	0
Advances Out	0	(30,000)	(30,000)	0
<i>Total Other Financing Sources (Uses)</i>	54,726	229,136	202,414	(26,722)
<i>Net Change in Fund Balance</i>	(1,022,138)	(328,563)	(326,136)	2,427
<i>Fund Balance at Beginning of Year</i>	4,493,954	4,493,954	4,493,954	0
<i>Prior Year Encumbrances Appropriated</i>	304,642	304,642	304,642	0
<i>Fund Balance at End of Year</i>	\$3,776,458	\$4,470,033	\$4,472,460	\$2,427

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$13,031	<u>\$67,336</u>
Liabilities:		
Current Liabilities:		
Due to Students	<u>0</u>	<u>\$67,336</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$13,031</u>	

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	<u>Private Purpose Trust</u>
Additions:	\$0
Deductions:	<u>1,000</u>
<i>Changes in Net Assets</i>	(1,000)
<i>Net Assets at Beginning of Year</i>	<u>14,031</u>
<i>Net Assets at End of Year</i>	<u><u>\$13,031</u></u>

See Accompanying Notes to the Basic Financial Statements

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Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District currently operates one instructional building, a district office, and a bus garage. The School District is staffed by 54 classified employees and 82 certified full-time personnel who provide services to 1,123 students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

Insurance Purchasing Pools:

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

Shared Risk Pool:

Preble County Schools Regional Council of Governments

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds:

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Improvement Fund - The Permanent Improvement Fund accounts for the acquisition, construction or improvement of capital facilities.

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Revenue:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$239,105, which includes \$49,648 assigned from other School District funds.

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

F. Inventory

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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.

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-term Obligations

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

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

J. Compensated Absences

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

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets

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

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

The governmental wide statement of net assets reports \$1,126,894 of restricted net assets, none of which is restricted by enabling legislation.

L. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, budget stabilization, and 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 budget stabilization is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

M. Internal Activity

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Budgetary Process

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

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

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2008, the Permanent Improvement Capital Projects Fund and the Title VI-B Special Revenue Fund had deficit fund balances of \$89,336 and \$3,648, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
5. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Unrecorded cash represents amounts received and spent but not included on the budget basis operating statement.

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	(\$427,035)
Net Adjustments for Revenue Accruals	50,043
Net Adjustments for Expenditure Accruals	20,523
Unrecorded Cash FY 2007	(10,218)
Unrecorded Cash FY 2008	22,453
Fair Value of Investments FY 2007	28,091
Advances	188,165
Adjustment for Encumbrances	<u>(198,158)</u>
Budget Basis	<u><u>(\$326,136)</u></u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2008, the School District had no investments.

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.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$223,939 in the General Fund, \$8,070 in the Permanent Improvement Fund, and \$19,592 in the Other Governmental Funds. The amount available as an advance at June 30, 2007, was \$303,832 in the General Fund, \$12,923 in the Permanent Improvement Fund, and \$27,041 in the Other Governmental Funds. On a full accrual basis, collectible property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$111,246,270	81.87%	\$102,693,120	87.63%
Public Utility Personal	6,115,490	4.50	5,506,100	4.70
General Business Personal	18,515,818	13.63	8,983,551	7.67
Total Assessed Value	<u>\$135,877,578</u>	<u>100.00%</u>	<u>\$117,182,771</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.43		\$45.43	

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Excess Costs	\$17,873
Transportation Reimbursement	3,995
Miscellaneous State Grants	2,000
Total	\$23,868

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance for property, liability, fleet insurance, and inland marine coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$10,882,650
Bus Fleet	1,000,000
Comprehensive (\$100 deductible)	
Collision (\$500 deductible)	
Uninsured Motorists	
Per Occurrence	1,000,000
Total Per Year	1,000,000

During fiscal year 2008, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an 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 School District pays this annual premium to the OSP. (See Note 14).

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 8 - RISK MANAGEMENT (continued)

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

Excess Liability Limit per occurrence/per offense/per accident	\$4,000,000
Excess Liability Policy Aggregate	4,000,000
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	
Employers Liability Stop Gap-Each Accident Limit	1,000,000
Employers Liability Stop Gap-Per Disease-Each Employee Limit	1,000,000
Employee Benefits Liability-Claims Made From	
Each Offense Limit	1,000,000
Employee Benefits Aggregate Limit	3,000,000
Defense Cost Cap	1,000,000

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

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2008, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$109,063, \$130,765 and \$124,707 respectively; 48.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$591,416, \$566,302, and \$546,143 respectively; 83.35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$22,609 made by the School District and \$29,188 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$68,654, \$64,695, and \$63,886, respectively; 48.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,858, \$8,480, and \$10,435 respectively; 48.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$45,494, \$43,562, and \$42,011 respectively; 83.35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 11 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$380,453	\$79,437	\$0	\$459,890
Capital Assets, Being Depreciated:				
Land Improvements	585,740	0	0	585,740
Buildings and Improvements	13,503,280	390,512	0	13,893,792
Furniture, Fixtures, and Equipment	3,490,604	83,501	(82,018)	3,492,087
Vehicles	702,409	75,687	0	778,096
Total Capital Assets, Being Depreciated	<u>18,282,033</u>	<u>549,700</u>	<u>(82,018)</u>	<u>18,749,715</u>
Less Accumulated Depreciation:				
Land Improvements	(391,116)	(23,430)	0	(414,546)
Buildings and Improvements	(4,601,624)	(281,981)	0	(4,883,605)
Furniture, Fixtures, and Equipment	(2,599,423)	(169,327)	79,912	(2,688,838)
Vehicles	(580,787)	(35,773)	0	(616,560)
Total Accumulated Depreciation	<u>(8,172,950)</u>	<u>(510,511) *</u>	<u>79,912</u>	<u>(8,603,549)</u>
Capital Assets, Being Depreciated, Net	<u>10,109,083</u>	<u>39,189</u>	<u>(2,106)</u>	<u>10,146,166</u>
Governmental Activities Capital Assets, Net	<u>\$10,489,536</u>	<u>\$118,626</u>	<u>(\$2,106)</u>	<u>\$10,606,056</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 11 - CAPITAL ASSETS (continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$395,035
Support Services:	
Instructional Staff	321
Administration	32,543
Fiscal	1,339
Operation and Maintenance of Plant	13,916
Pupil Transportation	45,059
Operation of Non-Instructional Services	10,150
Extracurricular Activities	12,148
Total Depreciation Expense	<u><u>\$510,511</u></u>

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding <u>6/30/07</u>	Additions	Deductions	Amount Outstanding <u>6/30/08</u>	Amounts Due Within One Year
<u>Governmental Activities:</u>					
School Improvement Bonds					
1986 8.125%	\$365,000	\$0	\$120,000	\$245,000	\$125,000
OASBO Notes					
2002 4.28%	565,000	0	180,000	385,000	185,000
Compensated Absences	<u>326,740</u>	<u>138,036</u>	<u>30,754</u>	<u>434,022</u>	<u>14,695</u>
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$1,256,740</u></u>	<u><u>\$138,036</u></u>	<u><u>\$330,754</u></u>	<u><u>\$1,064,022</u></u>	<u><u>\$324,695</u></u>

School Improvement Bonds:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

OASBO Notes:

The OASBO Notes were issued by the Rickenbacker Port Authority as part of the Ohio Association of School Business Officials Expanded Asset Pooled Financing Program. The Port Authority has entered into a trust agreement with Chase Manhattan Trust Company (the trustee) assigning payments to be received to the trustee and authorizing the issuance and sale of bonds constituting special obligations of the Port Authority payable solely from the trust estate. Therefore, the School District makes principal and interest payments to Chase Manhattan Trust Company. The notes were issued April 25, 2002, for the purpose of constructing and improving school facilities and providing equipment, furnishings and site improvements. The debt will mature December 26, 2009, and will be retired from the Bond Retirement Fund.

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

The School District's overall legal debt margin was \$10,501,234, with an unvoted debt margin of \$117,882 at June 30, 2008.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	School Improvement Bond Principal	School Improvement Bond Interest	OASBO Notes Principal	OASBO Notes Interest
2009	\$125,000	\$14,828	\$185,000	\$13,230
2010	120,000	4,875	200,000	4,580
Total	<u>\$245,000</u>	<u>\$19,703</u>	<u>\$385,000</u>	<u>\$17,810</u>

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 13 - OTHER EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

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

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

A. Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$27,096 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative 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 2008, the School District paid \$1,501 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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 in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2008, the School District paid \$995 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The 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 thirteen member Board of Directors consisting of member superintendents and treasurers, as well as Dave Harcum, an independent consultant of Hylant Group, Inc., and a partner of the Hylant Group, Inc. The Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

C. Shared Risk Pool

Preble County Schools Regional Council of Governments:

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

NOTE 15 - SET-ASIDE CALCULATION

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 15 - SET-ASIDE CALCULATION (continued)

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

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2007	\$36,010	\$185,824	\$0
Current Fiscal Year Set-aside Requirement	0	172,814	172,814
Qualifying Disbursements	0	(188,871)	0
Current Fiscal Year Offsets	<u>0</u>	<u>0</u>	<u>(200,080)</u>
Total	<u>\$36,010</u>	<u>\$169,767</u>	<u>(\$27,266)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$36,010</u>	<u>\$169,767</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$36,010</u>	<u>\$169,767</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount of offsets may not be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$205,777.

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

NOTE 17 - INTERFUND ASSETS/LIABILITIES

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to the Permanent Improvement Fund is necessary due to timing differences in the receiving of property tax monies. When the monies are finally received, the Permanent Improvement Fund reimburses the General Fund for the initial advance. The Permanent Improvement Capital Projects Fund had a \$126,835 outstanding advance due to the General Fund at June 30, 2008. This advance is expected to be re-paid within one year.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	2008	10.550		\$29,448		\$29,762
Child Nutrition Cluster: National School Breakfast Program	2008	10.553	\$22,050		\$22,050	
National School Lunch Program	2008	10.555	119,912		119,912	
Total Child Nutrition Cluster			141,962		141,962	
Total U.S. Department of Agriculture			141,962	29,448	141,962	29,762
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	2008	84.027	222,590		222,590	
Special Education - Preschool Grant	2008	84.173	4,113		4,113	
Total Special Education Cluster			226,703		226,703	
Grants to Local Educational Agencies (ESEA Title I)	2008	84.010	89,128		89,128	
Technology Literacy Challenge	2008	84.318	897		897	
Drug Free Schools	2008	84.186	3,467		3,467	
Improving Teacher Quality	2008	84.367	51,746		45,598	
Innovative Education Program Strategies	2008	84.298	2,609		2,609	
Total U.S. Department of Education			374,550		368,402	
TOTAL FEDERAL ASSISTANCE			\$516,512	\$29,448	\$510,364	\$29,762

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County North Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School District's management in a separate letter dated March 13, 2009.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 13, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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 School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Tri-County North Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

March 13, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Nutrition Cluster: CFDA #10.553 CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Lack of management oversight in accounting for capital assets	Yes	
2007-002	Ohio Rev. Code Section 149.351, destruction of records	Yes	



Mary Taylor, CPA
Auditor of State

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2009**