



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Tri-County North Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

December 10, 1999

Tri-County North Local School District

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**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE
Assets and Other Debits					
Assets:					
Equity in Pooled Cash and Cash Equivalents	2,505,627	\$142,072	\$952,384	\$2,370,333	\$163,280
Cash and Cash Equivalents with Fiscal Agents	0	3,223	0	0	0
Receivables:					
Property Taxes	2,783,708	0	381,626	170,432	0
Accounts	2,571	0	0	0	12,179
Intergovernmental	0	270	0	0	9,820
Prepaid Items	4,605	0	0	0	0
Inventory of Supplies and Materials	33,435	0	0	0	9,425
Inventory Held for Resale	0	0	0	0	5,706
Restricted Assets:					
Cash and Cash Equivalents	122,559	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	86,628
Other Debits:					
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
Total Assets and Other Debits	<u>\$5,452,505</u>	<u>\$145,565</u>	<u>\$1,334,010</u>	<u>\$2,540,765</u>	<u>\$287,038</u>
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	\$22,206	\$3,456	\$0	\$489	\$36
Contracts Payable	0	0	0	5,750	0
Accrued Wages and Benefits Payable	494,397	6,524	0	0	7,944
Intergovernmental Payable	106,274	3,332	0	33	11,224
Due to Students	0	0	0	0	0
Deferred Revenue	2,679,758	0	369,069	164,846	3,771
Notes Payable	0	0	0	1,700,000	0
Accrued Interest Payable	0	0	0	67,096	0
Compensated Absences Payable	6,704	0	0	0	71,401
School Facilities Loan Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Total Liabilities	<u>3,309,339</u>	<u>13,312</u>	<u>369,069</u>	<u>1,938,214</u>	<u>94,376</u>
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings:					
Unreserved	0	0	0	0	192,662
Fund Balance:					
Reserved for Encumbrances	84,963	12,643	192,191	309,582	0
Reserved for Property Taxes	103,950	0	12,557	5,586	0
Reserved for Supplies and Materials	33,435	0	0	0	0
Reserved for Budget Stabilization	71,728	0	0	0	0
Reserved for School Bus Purchases	50,831	0	0	0	0
Reserved for Nonexpendable Trust Fund	0	0	0	0	0
Unreserved, Designated for Textbooks and Instructional Materials and Budget Stabilization	24,825	0	0	0	0
Unreserved, Undesignated	1,773,434	119,610	760,193	287,383	0
Total Fund Equity and Other Credits	<u>2,143,166</u>	<u>132,253</u>	<u>964,941</u>	<u>602,551</u>	<u>192,662</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,452,505</u>	<u>\$145,565</u>	<u>\$1,334,010</u>	<u>\$2,540,765</u>	<u>\$287,038</u>

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$89,188	\$0	\$0	\$6,222,884
0	0	0	3,223
0	0	0	3,335,766
16	0	0	14,766
0	0	0	10,090
0	0	0	4,605
0	0	0	42,860
0	0	0	5,706
0	0	0	122,559
0	15,757,339	0	15,843,967
0	0	964,941	964,941
0	0	6,986,651	6,986,651
<u>\$89,204</u>	<u>\$15,757,339</u>	<u>\$7,951,592</u>	<u>\$33,558,018</u>

\$127	\$0	\$0	\$26,314
0	0	0	5,750
0	0	0	508,865
0	0	45,587	166,450
50,561	0	0	50,561
0	0	0	3,217,444
0	0	0	1,700,000
0	0	0	67,096
0	0	110,521	188,626
0	0	6,450,484	6,450,484
0	0	1,345,000	1,345,000
<u>50,688</u>	<u>0</u>	<u>7,951,592</u>	<u>13,726,590</u>

0	15,757,339	0	15,757,339
0	0	0	192,662
0	0	0	599,379
0	0	0	122,093
0	0	0	33,435
0	0	0	71,728
0	0	0	50,831
11,547	0	0	11,547
0	0	0	24,825
26,969	0	0	2,967,589
<u>38,516</u>	<u>15,757,339</u>	<u>0</u>	<u>19,831,428</u>
<u>\$89,204</u>	<u>\$15,757,339</u>	<u>\$7,951,592</u>	<u>\$33,558,018</u>

TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:						
Property Taxes	\$2,651,632	\$20,868	\$334,433	\$149,877	\$0	\$3,156,810
Intergovernmental	3,024,200	300,237	29,664	12,590	0	3,366,691
Interest	221,768	0	0	95,829	0	317,597
Tuition and Fees	21,003	0	0	0	0	21,003
Rent	19,498	0	0	0	0	19,498
Extracurricular Activities	0	102,004	0	0	0	102,004
Gifts and Donations	6,931	3,055	0	0	25,900	35,886
Miscellaneous	15,392	2,484	0	0	0	17,876
Total Revenues	<u>5,960,424</u>	<u>428,648</u>	<u>364,097</u>	<u>258,296</u>	<u>25,900</u>	<u>7,037,365</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,636,096	28,396	0	145,145	0	2,809,637
Special	549,780	134,218	0	877	0	684,875
Vocational	105,009	0	0	0	0	105,009
Support Services:						
Pupils	261,711	39,802	0	0	0	301,513
Instructional Staff	187,251	69,326	0	2	0	256,579
Board of Education	7,586	0	0	0	0	7,586
Administration	571,720	6,894	0	1,521	0	580,135
Fiscal	103,655	359	10,875	4,223	0	119,112
Operation and Maintenance of Plant	492,692	7,490	0	113,209	0	613,391
Pupil Transportation	280,854	0	0	893	0	281,747
Central	14,479	0	0	0	0	14,479
Extracurricular Activities	125,419	121,047	0	7,025	0	253,491
Capital Outlay	10,133	0	0	126,967	0	137,100
Debt Service:						
Principal Retirement	0	0	148,596	0	0	148,596
Interest and Fiscal Charges	0	0	114,359	71,921	0	186,280
Total Expenditures	<u>5,346,385</u>	<u>407,532</u>	<u>273,830</u>	<u>471,783</u>	<u>0</u>	<u>6,499,530</u>
Excess of Revenues Over (Under) Expenditures	614,039	21,116	90,267	(213,487)	25,900	537,835
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	263,543	0	263,543
Operating Transfers Out	(74,501)	0	(195,042)	0	0	(269,543)
Total Other Financing Sources (Uses)	<u>(74,501)</u>	<u>0</u>	<u>(195,042)</u>	<u>263,543</u>	<u>0</u>	<u>(6,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	539,538	21,116	(104,775)	50,056	25,900	531,835
Fund Balances at Beginning of Year	1,600,575	111,137	1,069,716	552,495	0	3,333,923
Increase in Reserve for Inventory	3,053	0	0	0	0	3,053
Fund Balances at End of Year	<u>\$2,143,166</u>	<u>\$132,253</u>	<u>\$964,941</u>	<u>\$602,551</u>	<u>\$25,900</u>	<u>\$3,868,811</u>

See Accountants' Compilation Report
See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$2,639,712	\$2,639,712	\$0	\$22,308	\$22,308	\$0
Intergovernmental	3,024,200	3,024,200	0	306,757	306,757	0
Interest	202,957	202,957	0	0	0	0
Tuition and Fees	21,003	21,003	0	0	0	0
Rent	19,498	19,498	0	0	0	0
Extracurricular Activities	0	0	0	102,428	102,428	0
Gifts and Donations	6,931	6,931	0	3,055	3,055	0
Miscellaneous	187	187	0	2,657	2,657	0
Total Revenues	<u>5,914,488</u>	<u>5,914,488</u>	<u>0</u>	<u>437,205</u>	<u>437,205</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,593,941	2,571,712	22,229	49,771	34,579	15,192
Special	541,847	541,573	274	173,331	147,202	26,129
Vocational	103,363	103,287	76	0	0	0
Other	71,950	71,950	0	0	0	0
Support Services:						
Pupils	278,713	278,453	260	33,706	33,574	132
Instructional Staff	182,203	182,203	0	77,460	64,504	12,956
Board of Education	9,711	9,711	0	0	0	0
Administration	561,748	561,748	0	7,528	7,370	158
Fiscal	113,944	113,944	0	435	359	76
Operation and Maintenance of Plant	526,386	526,386	0	35,447	7,490	27,957
Pupil Transportation	330,735	279,904	50,831	0	0	0
Central	14,514	14,514	0	0	0	0
Extracurricular Activities	129,950	126,626	3,324	155,286	131,061	24,225
Capital Outlay	20,133	20,133	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>5,479,138</u>	<u>5,402,144</u>	<u>76,994</u>	<u>532,964</u>	<u>426,139</u>	<u>106,825</u>
Excess of Revenues Over (Under) Expenditures	<u>435,350</u>	<u>512,344</u>	<u>76,994</u>	<u>(95,759)</u>	<u>11,066</u>	<u>106,825</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	6,434	6,434	0	0	0	0
Refund of Prior Year Receipts	(1,543)	0	1,543	0	0	0
Advances In	60,500	60,500	0	20,500	20,500	0
Advances Out	(60,500)	(60,500)	0	(20,000)	(20,500)	(500)
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(74,501)	(74,501)	0	0	0	0
Other Financing Sources	17,727	17,727	0	0	0	0
Other Financing Uses	(80,003)	0	80,003	0	0	0
Total Other Financing Sources (Uses)	<u>(131,886)</u>	<u>(50,340)</u>	<u>81,546</u>	<u>500</u>	<u>0</u>	<u>(500)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>303,464</u>	<u>462,004</u>	<u>158,540</u>	<u>(95,259)</u>	<u>11,066</u>	<u>106,325</u>
Fund Balances at Beginning of Year	1,939,269	1,939,269	0	91,703	91,703	0
Prior Year Encumbrances Appropriated	92,864	92,864	0	23,199	23,199	0
Fund Balances at End of Year	<u>\$2,335,597</u>	<u>\$2,494,137</u>	<u>\$158,540</u>	<u>\$19,643</u>	<u>\$125,968</u>	<u>\$106,325</u>

(Continued)

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

	DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$333,130	\$333,130	\$0	\$149,335	\$149,335	\$0
Intergovernmental	29,664	29,664	0	12,590	12,590	0
Interest	0	0	0	95,842	95,842	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	<u>362,794</u>	<u>362,794</u>	<u>0</u>	<u>257,767</u>	<u>257,767</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	215,247	149,584	65,663
Special	0	0	0	1,000	877	123
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	473	2	471
Board of Education	0	0	0	0	0	0
Administration	0	0	0	43,001	2,821	40,180
Fiscal	0	0	0	12,726	4,447	8,279
Operation and Maintenance of Plant	18,643	10,875	7,768	484,403	120,565	363,838
Pupil Transportation	0	0	0	74,631	893	73,738
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	7,025	7,025	0
Capital Outlay	0	0	0	1,809,703	422,765	1,386,938
Debt Service:						
Principal Retirement	1,066,770	384,387	682,383	0	0	0
Interest and Fiscal Charges	335,842	265,801	70,041	0	0	0
Total Expenditures	<u>1,421,255</u>	<u>661,063</u>	<u>760,192</u>	<u>2,648,209</u>	<u>708,979</u>	<u>1,939,230</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,058,461)</u>	<u>(298,269)</u>	<u>760,192</u>	<u>(2,390,442)</u>	<u>(451,212)</u>	<u>1,939,230</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	0	0	0	68,501	68,501	0
Operating Transfers Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	(117,284)	0	117,284
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48,783)</u>	<u>68,501</u>	<u>117,284</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,058,461)</u>	<u>(298,269)</u>	<u>760,192</u>	<u>(2,439,225)</u>	<u>(382,711)</u>	<u>2,056,514</u>
Fund Balances at Beginning of Year	178,419	178,419	0	2,422,366	2,422,366	0
Prior Year Encumbrances Appropriated	880,042	880,042	0	16,859	16,859	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$760,192</u>	<u>\$760,192</u>	<u>\$0</u>	<u>\$2,056,514</u>	<u>\$2,056,514</u>

See Accompanying Notes to the General Purpose Financial Statements

EXPENDABLE TRUST FUND			TOTAL (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$3,144,485	\$3,144,485	\$0
0	0	0	3,373,211	3,373,211	0
0	0	0	298,799	298,799	0
0	0	0	21,003	21,003	0
0	0	0	19,498	19,498	0
0	0	0	102,428	102,428	0
25,900	25,900	0	35,886	35,886	0
0	0	0	2,844	2,844	0
<u>25,900</u>	<u>25,900</u>	<u>0</u>	<u>6,998,154</u>	<u>6,998,154</u>	<u>0</u>
0	0	0	2,858,959	2,755,875	103,084
0	0	0	716,178	689,652	26,526
0	0	0	103,363	103,287	76
0	0	0	71,950	71,950	0
0	0	0	312,419	312,027	392
0	0	0	260,136	246,709	13,427
0	0	0	9,711	9,711	0
0	0	0	612,277	571,939	40,338
0	0	0	127,105	118,750	8,355
0	0	0	1,064,879	665,316	399,563
0	0	0	405,366	280,797	124,569
0	0	0	14,514	14,514	0
0	0	0	292,261	264,712	27,549
0	0	0	1,829,836	442,898	1,386,938
0	0	0	1,066,770	384,387	682,383
0	0	0	335,842	265,801	70,041
0	0	0	<u>10,081,566</u>	<u>7,198,325</u>	<u>2,883,241</u>
<u>25,900</u>	<u>25,900</u>	<u>0</u>	<u>(3,083,412)</u>	<u>(200,171)</u>	<u>2,883,241</u>
0	0	0	6,434	6,434	0
0	0	0	(1,543)	0	1,543
0	0	0	81,000	81,000	0
0	0	0	(80,500)	(81,000)	(500)
0	0	0	68,501	68,501	0
0	0	0	(74,501)	(74,501)	0
0	0	0	17,727	17,727	0
0	0	0	(197,287)	0	197,287
0	0	0	<u>(180,169)</u>	<u>18,161</u>	<u>198,330</u>
<u>25,900</u>	<u>25,900</u>	<u>0</u>	<u>(3,263,581)</u>	<u>(182,010)</u>	<u>3,081,571</u>
0	0	0	4,631,757	4,631,757	0
0	0	0	1,012,964	1,012,964	0
<u>\$25,900</u>	<u>\$25,900</u>	<u>\$0</u>	<u>\$2,381,140</u>	<u>\$5,462,711</u>	<u>\$3,081,571</u>

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
Operating Revenues:			
Sales	\$216,102	\$0	\$216,102
Interest	0	757	757
Contributions and Donations	0	150	150
Tuition	30,834	0	30,834
Total Operating Revenues	<u>246,936</u>	<u>907</u>	<u>247,843</u>
Operating Expenses:			
Salaries	116,142	0	116,142
Fringe Benefits	37,854	0	37,854
Purchased Services	3,625	0	3,625
Materials and Supplies	16,418	0	16,418
Cost of Sales	162,183	0	162,183
Depreciation	10,044	0	10,044
Other	0	200	200
Total Operating Expenses	<u>346,266</u>	<u>200</u>	<u>346,466</u>
Operating Income (Loss)	<u>(99,330)</u>	<u>707</u>	<u>(98,623)</u>
Non-Operating Revenues (Expenses):			
Interest	2,243	0	2,243
Federal and State Subsidies	67,949	0	67,949
Federal Donated Commodities	14,251	0	14,251
Loss on Disposal of Fixed Assets	(1,014)	0	(1,014)
Other	156	0	156
Total Non-Operating Revenues (Expenses)	<u>83,585</u>	<u>0</u>	<u>83,585</u>
Net Income (Loss) Before Operating Transfers	(15,745)	707	(15,038)
Operating Transfers In	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Net Income (Loss)	(9,745)	707	(9,038)
Retained Earnings/Fund Balance at Beginning of Year - Restated (Note 3)	<u>202,407</u>	<u>11,909</u>	<u>214,316</u>
Retained Earnings/Fund Balance at End of Year	<u>\$192,662</u>	<u>\$12,616</u>	<u>\$205,278</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	ENTERPRISE FUNDS			NONEXPENDABLE TRUST FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Sales	\$214,961	\$214,961	\$0	\$0	\$0	\$0
Interest	2,243	2,243	0	759	759	0
Federal and State Subsidies	68,286	68,286	0	0	0	0
Contributions and Donations	0	0	0	118	118	0
Tuition	28,065	28,065	0	0	0	0
Refund of Prior Year's Expense	1,273	1,273	0	0	0	0
Other	156	156	0	0	0	0
Total Revenues	<u>314,984</u>	<u>314,984</u>	<u>0</u>	<u>877</u>	<u>877</u>	<u>0</u>
Expenses:						
Salaries	145,679	115,511	30,168	0	0	0
Fringe Benefits	51,657	37,822	13,835	0	0	0
Purchased Services	13,893	4,166	9,727	0	0	0
Materials and Supplies	209,502	171,364	38,138	0	0	0
Capital Outlay	15,000	5,361	9,639	0	0	0
Other	0	0	0	12,784	959	11,825
Total Expenses	<u>435,731</u>	<u>334,224</u>	<u>101,507</u>	<u>12,784</u>	<u>959</u>	<u>11,825</u>
Excess of Revenues Under Expenses Before Advances and Transfers	(120,747)	(19,240)	101,507	(11,907)	(82)	11,825
Advances In	40,000	40,000	0	0	0	0
Advances Out	0	(40,000)	(40,000)	0	0	0
Operating Transfers In	6,000	6,000	0	0	0	0
Excess of Revenues Under Expenses, Advances, and Transfers	(74,747)	(13,240)	61,507	(11,907)	(82)	11,825
Fund Equity at Beginning of Year	164,693	164,693	0	11,707	11,707	0
Prior Year Encumbrances Appropriated	5,530	5,530	0	200	200	0
Fund Equity at End of Year	<u>\$95,476</u>	<u>\$156,983</u>	<u>\$61,507</u>	<u>\$0</u>	<u>\$11,825</u>	<u>\$11,825</u>

See Accompanying Notes to the General Purpose Financial Statements

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$242,964	\$0	\$242,964
Other Operating Receipts	1,429	132	1,561
Cash Payments for Employee Services and Benefits	(153,333)	0	(153,333)
Cash Payments to Suppliers for Goods and Services	(174,532)	0	(174,532)
Other Operating Expenses	0	(200)	(200)
Net Cash Used In Operating Activities	<u>(83,472)</u>	<u>(68)</u>	<u>(83,540)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	68,286	0	68,286
Advances In	40,000	0	40,000
Advances Out	(40,000)	0	(40,000)
Operating Transfers In	6,000	0	6,000
Net Cash Provided By Noncapital Financing Activities	<u>74,286</u>	<u>0</u>	<u>74,286</u>
Cash Flows from Investing Activities:			
Interest	2,243	759	3,002
Net Cash Provided By Investing Activities	<u>2,243</u>	<u>759</u>	<u>3,002</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,943)	691	(6,252)
Cash and Cash Equivalents Beginning of Year	170,223	11,909	182,132
Cash and Cash Equivalents End of Year	<u>\$163,280</u>	<u>\$12,600</u>	<u>\$175,880</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:			
Operating Income (Loss)	(\$99,330)	\$707	(\$98,623)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	10,044	0	10,044
Donated Commodities Received	14,251	0	14,251
Interest in Nonexpendable Trust Fund	0	(759)	(759)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(2,698)	(16)	(2,714)
Increase in Supplies Inventory	(6,232)	0	(6,232)
Increase in Inventory Held for Resale	(882)	0	(882)
Decrease in Accounts Payable	(656)	0	(656)
Decrease in Accrued Salaries Payable	(2,627)	0	(2,627)
Decrease in Intergovernmental Payable	(254)	0	(254)
Increase in Compensated Absences Payable	4,912	0	4,912
Net Cash Used In Operating Activities	<u>(\$83,472)</u>	<u>(\$68)</u>	<u>(\$83,540)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$89,188	
Cash and Cash Equivalents-Expendable Trust and Agency Funds		<u>(76,588)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Fund		<u>\$12,600</u>	

See Accompanying Notes to the General Purpose Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Tri-County North Local School District (the "School District") was created from the northern half of the Twin Valley District in 1983. In August, 1990, a K-12 facility was dedicated as one of Ohio's newest public school districts. The School District is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School operates under a locally-elected five member Board form of government and provides educational services as mandated authorized by State and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 47 non-certified employees, 73 certificated full time teaching personnel and 4 administrative employees who provide services to 1,221 students and other community members.

The reporting entity is composed of the primary government. The primary government of the school district consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-County North Local School District, this includes general operations, food service, latchkey services and student related activities of the School District.

Component units are legally separate organizations for which the School District would be 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 for the organization. The School District has no component units.

The School District is associated with three jointly governed organizations, one insurance purchasing pool and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Preble County Schools Regional Council of Governments (COG), respectively. These organizations are presented in Notes 17, 18 and 19 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: tuition, grants, student fees and property taxes available for advance.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes whose availability is indeterminable, have been recorded as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

Tax Budget:

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

Estimated Resources:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and the expendable trust fund and reported in the notes to the financial statements for proprietary funds and the nonexpendable trust fund.

Lapsing of Appropriations:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. In addition, the balance of the Eisenhower grant and drug free schools activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent." This represents deposits held at the Preble County Educational Service Center.

During fiscal year 1999, the School District's investments were limited to certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 1999 amounted to \$221,768, which includes \$130,325 assigned from other funds. Tri-County North also received interest in its stay at home issue capital projects fund, food service enterprise fund, and the Jim Scherman scholarship nonexpendable trust fund in the amounts of \$95,829, \$2,243, and \$757 respectively.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Reimbursable Grants

Special Revenue Funds

Dependent Care Grant
School Accounting Network
Career Development
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title VI-B
Vocational Education Technology Preparation
Title I
Title VI
Public School Preschool
OIS Grant
Teacher Development
Eisenhower Grant
Drug-Free Schools
Classroom Facilities Maintenance
ICP Grant

Capital Projects Funds:

School Net Plus
Tech Equity

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to forty-eight percent of governmental revenue during the 1999 fiscal year.

I. Compensated Absences

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

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

K. Interfund Transactions

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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.

N. Fund Balance Reserves

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

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

O. Fund Designations

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

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

In the prior year, cash in the special revenue funds was overstated, the fixed assets in the food service enterprise fund were overstated, and the liabilities in the uniform school supplies enterprise fund were overstated.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

The effect of these changes on fund balance/retained earnings as previously reported for the year ended June 30, 1998, is as follows:

	Special Revenue	Enterprise
Fund Balance/Retained Earnings at June 30, 1998	\$112,248	\$194,186
Restatement for cash	(1,111)	0
Restatement for fixed assets	0	(367)
Restatement for liabilities	0	8,588
Fund Balance/Retained Earnings at July 1, 1998	\$111,137	\$202,407

Cash in the and agency fund was understated in the prior year. As a result, the balance in the agency fund increased by \$661 from \$43,331 to \$43,992. The liabilities in the general long-term obligations account group were overstated in the prior year. The school improvement bond that the School District shared with Twin Valley Local School District was paid off during fiscal year 1998, but there was a balance on the report at June 30, 1998. As a result, the balance in the general long-term obligations account group decreased by \$17,955 from \$8,130,910 to \$8,112,955.

NOTE 4 - ACCOUNTABILITY

At June 30, 1999, the professional development block grant, EMIS, title VI-B and title II special revenue funds and the Tri-County North stay at home issue capital projects fund had deficit fund balances of \$15, \$82, \$530, \$21 and \$42,278, respectively. The deficits in these funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is needed, rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$539,538	\$21,116	(\$104,775)	\$50,056	\$25,900
Revenue Accruals	(21,775)	8,557	(1,303)	(529)	0
Expenditure Accruals	58,247	1,468	(80,041)	76,623	0
Principal Payment	0	0	(115,000)	0	0
Prepays	(3,600)	0	0	0	0
Non-Budgeted Funds	0	(4,403)	0	0	0
Transfers	0	0	195,042	(195,042)	0
Encumbrances	<u>(110,406)</u>	<u>(15,672)</u>	<u>(192,192)</u>	<u>(313,819)</u>	<u>0</u>
Budget Basis	<u>\$462,004</u>	<u>\$11,066</u>	<u>(\$298,269)</u>	<u>(\$382,711)</u>	<u>\$25,900</u>

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income (Loss)/Excess of Revenues Under Expenses, Advances and Transfers Proprietary Fund Type and Nonexpendable Trust Fund	Enterprise	Nonexpendable Trust
GAAP Basis	(\$9,745)	\$707
Revenue Accruals	(2,300)	(30)
Expense Accruals	(10,980)	0
Materials and Supplies Inventory	6,232	0
Inventory Held for Resale	882	0
Depreciation Expense	10,044	0
Loss on Disposal of Fixed Assets	(1,014)	0
Encumbrances	(6,359)	(759)
Budget Basis	(\$13,240)	(\$82)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

The "Cash and Cash Equivalents with Fiscal Agent" of \$3,223 shown in the special revenue funds is maintained with the Preble County Educational Service Center; therefore, this is not included in the deposits for Tri-County North. GASB 3 disclosures regarding this amount can be obtained from the Educational Service Center's annual report.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At year end, the carrying amount of the School District's deposits was \$6,345,443 and the bank balance was \$6,462,063. \$236,819 of the bank balance was covered by federal depository insurance and \$6,225,244 was considered uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District had no investments during the 1999 fiscal year.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,427,140	69.48%	\$68,255,170	69.21%
Public Utility	7,450,080	7.79	7,699,210	7.81
Tangible Personal Property	21,726,740	22.73	22,669,440	22.98
Total Assessed Value	<u>\$95,603,960</u>	<u>100.00%</u>	<u>\$98,623,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.75		\$43.13	

The School District receives property taxes from Darke, Montgomery and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$122,093 and is recognized as revenue. \$103,950 was available to the general fund, \$12,557 was available to the bond retirement fund, and \$5,586 was available to the permanent improvement capital projects fund.

NOTE 8 -RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rents, billings for user charged services, and student fees) and intergovernmental grants. 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Fund:	
Athletic Fund	\$270
Enterprise Fund:	
Breakfast and Lunch Reimbursements	9,820
Total Intergovernmental Receivables	<u>\$10,090</u>

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$187,105
Less Accumulated Depreciation	<u>(100,477)</u>
Net Fixed Assets	<u><u>\$86,628</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 06/30/98	Additions	Deletions	Balance at 06/30/99
Land and Improvements	\$568,964	\$0	\$0	\$568,964
Buildings and Improvements	11,919,440	0	0	11,919,440
Furniture, Fixtures and Equipment	2,650,604	117,945	49,344	2,719,205
Vehicles	<u>540,230</u>	<u>9,500</u>	<u>0</u>	<u>549,730</u>
Total General Fixed Assets	<u><u>\$15,679,238</u></u>	<u><u>\$127,445</u></u>	<u><u>\$49,344</u></u>	<u><u>\$15,757,339</u></u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Indiana Insurance for property and liability insurance, Nationwide Insurance for fleet insurance, inland marine coverage, and boiler and machinery coverage.

Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$9,451,650
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Coverages provided by Nationwide Insurance are as follows:

Bus Fleet	\$1,000,000
Comprehensive (\$50 deductible)	
Collision (\$500 deductible)	
Uninsured Motorists	
Per Occurrence	12,500
Total Per Year	25,000
Inland Marine Coverage (\$100 deductible)	20,292
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

NOTE 10 - RISK MANAGEMENT (continued)

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

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement of Ohio provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 1999, the School District also participated in the Preble County Schools Regional Council of Governments (COG), a shared risk pool consisting of five local school districts and an educational service center (See Note 19). The School District pays monthly premiums to the COG for employee medical benefits. The COG is responsible for the management and operations of the program. Upon withdrawal from the COG, a participant is responsible for the payment of all COG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$53,907, \$70,780 and \$71,871, respectively; 47 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$28,572 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$149,081, \$282,379 and \$322,827, respectively; 80.07 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$29,705 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$198,775 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$62,108.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for certified employees and 250 for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 62.5 days for classified employees and 70 days for certified employees.

B. Insurance Benefits

The School District provides health insurance benefits to employees through the Preble County Regional Council of Governments (COG) (See Note 19). The premium varies with each employee depending on marital and family status.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Restated Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Bonds 1986 8.125%	<u>\$1,470,000</u>	<u>\$0</u>	<u>\$125,000</u>	<u>\$1,345,000</u>
School Facilities Loan 1986 0%	<u>6,474,080</u>	<u>0</u>	<u>23,596</u>	<u>6,450,484</u>
Other Long-Term Obligations:				
Intergovernmental Payable	46,240	45,587	46,240	45,587
Compensated Absences	<u>122,635</u>	<u>0</u>	<u>12,114</u>	<u>110,521</u>
Total General Long-Term Obligations	<u><u>\$8,112,955</u></u>	<u><u>\$45,587</u></u>	<u><u>\$206,950</u></u>	<u><u>\$7,951,592</u></u>

Tri-County North Local School Improvement General Obligation Bonds

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

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

School Facilities Loan

In 1986, Tri-County North Local School District borrowed from the state \$6,850,000 for the purpose of acquiring and improving the school facilities for the School District, under the authority of Ohio Revised Code section 3318.08. The loan was for a twenty-three year period with final maturity during fiscal year 2009, and the debt will be retired directly from tax dollars. The District is required to levy one-half mill tax each year for twenty-three years which is paid to the state. Any balance remaining at the end of the twenty-three year period is forgiven.

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

The School District's overall legal debt margin was \$8,496,085 with an unvoted debt margin of \$98,624 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$120,000	\$104,406	\$224,406
2001	125,000	94,453	219,453
2002	120,000	84,500	204,500
2003	125,000	74,547	199,547
2004	120,000	64,594	184,594
2005-2010	735,000	178,546	913,546
Total	<u>\$1,345,000</u>	<u>\$601,046</u>	<u>\$1,946,046</u>

Principal and interest requirements for the school facilities loan are not reflected in the schedule because of the method used to retire the debt.

NOTE 15 - NOTES PAYABLE

A summary of the short-term note transactions for the year ended June 30, 1999, follows:

Fund Type/Fund/Issue	Interest Rate	Balance at June 30, 1998	Increases	Decreases	Balance at June 30, 1999
Capital Projects Fund:					
Stay at Home Issue	4.41%	\$1,815,000	\$1,700,000	\$1,815,000	\$1,700,000

In July, 1998, the School District issued \$1,700,000 in a bond anticipation note for the period of one year. The note matured on July 22, 1999, and were reissued at a different amount (see Note 25). The liability for this note is recorded in the stay at home capital projects fund, the fund that received the proceeds.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$168,478	\$50,454	\$28,004	\$246,936
Depreciation Expense	10,044	0	0	10,044
Operating Income (Loss)	(103,893)	3,578	985	(99,330)
Net Non-Operating Revenues (Expenses) excluding Federal and State Subsidies	15,636	0	0	15,636
Federal and State Subsidies	67,949	0	0	67,949
Operating Transfers	0	6,000	0	6,000
Net Income (Loss)	(20,307)	9,578	984	(9,745)
Net Working Capital	154,576	26,632	5,572	186,780
Total Assets	254,743	26,632	5,663	287,038
Long-Term Liabilities				
Payable from Revenue	78,943	0	1,803	80,746
Total Equity	162,261	26,632	3,769	192,662
Total Encumbrances	2,045	4,279	35	6,359

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties and Cities of Eaton, Edgewood, Fairfield, Franklin, Hamilton, Lebanon, Loveland, Mason, Middletown, Oxford, and Springboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid SWOCA \$26,656 for services provided during the year. Financial information can be obtained from K. Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 1999, the Tri-County North Local School District paid \$2,952 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 1999, the School District paid \$4,863 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 18 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SHARED RISK POOL

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

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

Macioce Feinknopf	\$45,313
Double Jay Construction	185,660
Prism Electrical Contractors	41,700
Temp-Co Heating and A/C	25,900

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and for school bus purchases. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

Tri-County North Local School District
Notes to the General Purpose Statements
For the Fiscal Year Ended June 30, 1999

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$20,840	\$20,840
Current Year Set-aside Requirement	99,188	99,188	50,888	249,264
Current Year Offsets	(17,513)	(351,498)	0	(369,011)
Qualifying Disbursements	(89,072)	0	0	(89,072)
Total	<u>(\$7,397)</u>	<u>(\$252,310)</u>	<u>\$71,728</u>	<u>(\$187,979)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$71,728</u>	\$71,728
Amount Restricted for Bus Purchases				<u>50,831</u>
Total Restricted Assets				<u>\$122,559</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and capital acquisitions to below zero, the extra amounts may not be used to reduce the set-aside requirement of future years. The negative amounts for textbooks and capital acquisitions are therefore not presented as being carried forward to the next fiscal year. The School District also set-aside additional money in excess of statutory requirements for textbooks and instructional materials and budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is not included in restricted assets.

NOTE 22 - STATE SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,807,241 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a loan in the amount of \$6.5 million under this program.

NOTE 22 - STATE SCHOOL FUNDING (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme

Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 23 - YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government’s operations.

Tri-County North Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits.

The District uses the Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Southwest Ohio Computer Association (SWOCA - see Note 17). Per the current service organization report, OECN has completed validation and testing of these systems.

Preble County collects property taxes for distribution to the District. Per its most recent audit report, Preble County has completed validation and testing of the tax collection system. The District has a contingency plan to reasonably assure continued operation should the County tax collection and disbursement system not operate properly.

The State of Ohio distributes a substantial sum of money to the District in the form of “Foundation” and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. Per its Internet web site, the State of Ohio Department of Education, has completed validation and testing of its systems.

Eaton National Bank is the District’s main bank for the processing of daily banking transactions and electronic fund transfers. As of October 15, 1999, the bank indicates it has completed validation and testing of these systems.

NOTE 23 - YEAR 2000 COMPLIANCE (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

NOTE 24 - 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, 1999.

B. Litigation

The School District does not have any pending litigation.

NOTE 25 - SUBSEQUENT EVENT

The School District passed a resolution authorizing the issuance of \$1,580,000 of bond anticipation notes for the purpose of constructing a student activities center. The notes were issued subsequent to fiscal year end. The said notes were dated July 1, 1999, and bear interest at five and one half percent per year. The notes shall mature July 21, 2000.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$17,067	\$0	\$14,470
National School Breakfast Program	05-PU-99 05-PU-98	10.553	3,766 1,647 <u>5,413</u>	- - -	3,766 1,647 <u>5,413</u>	- - -
National School Lunch Program	03-PU-99 03-PU-98 04-PU-99 04-PU-98	10.555	13,685 5,782 28,888 10,629 <u>58,984</u>	- - - - -	13,685 5,782 28,888 10,629 <u>58,984</u>	- - - - -
Total U.S. Department of Agriculture - Nutrition Cluster			<u>64,397</u>	<u>17,067</u>	<u>64,397</u>	<u>14,470</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99-P	84.027	46,056	-	46,056	-
Special Education - Preschool Grant	PG-S1-99-P PG-S1-98-P	84.173	3,042 0 <u>3,042</u>	- - -	2,662 1,435 <u>4,097</u>	- - -
Total Special Education - Preschool Grant			<u>3,042</u>	<u>-</u>	<u>4,097</u>	<u>-</u>
Total Special Education Cluster			<u>49,098</u>	<u>-</u>	<u>50,153</u>	<u>-</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-S1-98	84.010	189,693 20,927 <u>210,620</u>	- - -	159,676 21,002 <u>180,678</u>	- - -
Total ESES Title I			<u>210,620</u>	<u>-</u>	<u>180,678</u>	<u>-</u>
Innovative Education Program (ESEA Title VI)	C2-S1-99	84.298	4,461	-	4,461	-
Dependent Care School Age Child	DC-SI-98	93.673	0	-	2,534	-
Continuous Improvement	091397-STW-99	17.249	5,000	-	0	-
<i>Passed through the Miami Valley Career Technology Center</i>						
Carl Perkins/Vocational Education	1999 1998 1997	84.048	1,440 0 0 <u>1,440</u>	- - - -	1,071 1,131 271 <u>2,473</u>	- - - -
Total Carl Perkins/Vocational Education			<u>1,440</u>	<u>-</u>	<u>2,473</u>	<u>-</u>
Total Department of Education			<u>270,619</u>	<u>-</u>	<u>240,299</u>	<u>-</u>
Totals			<u>\$335,016</u>	<u>\$17,067</u>	<u>\$304,696</u>	<u>\$14,470</u>

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

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the Tri-County North Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 10, 1999.

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

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

Jim Petro
Auditor of State

December 10, 1999



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Tri-County North Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 10, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

No findings related to the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs for federal awards.



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OFFICE OF THE AUDITOR

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TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2000**