



Dave Yost • Auditor of State

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Preble Shawnee Local School District
Preble County
124 Bloomfield Street
Camden, Ohio 45311

To the Board of Education:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 25, 2013

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The discussion and analysis of Preble Shawnee Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the School District's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The overall staffing levels of the School District were decreased during fiscal year 2012.
- The School district added a new health insurance program. A high deductible health insurance plan combined with an HRA. The district kept the previous plan, but employees who chose to stay with that plan had to pay the difference in premium. The high deductible plan had lower premiums than the previous plan.
- In fiscal year 2012, property tax values decreased which resulted in decreased property taxes collections.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities – Modified Cash Basis

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2012, within the limitations of the modified cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011:

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 1
Net Assets

	2012	2011	Change
Assets:			
Current and Other Assets	\$9,900,301	\$8,906,451	\$993,850
Capital Assets	7,353,607	7,618,518	(264,911)
<i>Total Assets</i>	<u>17,253,908</u>	<u>16,524,969</u>	<u>728,939</u>
Liabilities:			
Long-Term Liabilities	2,164,998	2,354,998	(190,000)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,188,609	5,263,520	(74,911)
Restricted	2,237,057	2,055,194	181,863
Unrestricted	7,663,244	6,851,257	811,987
<i>Total Net Assets</i>	<u><u>\$15,088,910</u></u>	<u><u>\$14,169,971</u></u>	<u><u>\$918,939</u></u>

Current assets consisting of cash and cash equivalents increased \$993,850. The majority of this increase is due to a reduction in expenditures for payroll and benefits due to the reduction of staff and savings in insurance premiums. Capital assets decreased approximately \$.3 million due primarily to current fiscal year depreciation being significantly higher than additions.

Liabilities consist of the debt of the School District. The decrease is due to the School District making the required principal payments.

Invested in capital assets, net of related debt decreased due to the decrease in capital assets as a result of depreciation disbursements being higher than fiscal year 2012 debt payments. Restricted net assets increased mainly due to property taxes collected for the retirement of debt being higher than the required debt payments.

Unrestricted net assets increased as result of reduction of disbursements related to the reduction of staff and savings in insurance premiums.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 compared to fiscal year 2011.

Table 2
Changes in Net Assets

	2012	2011	Change
Receipts:			
Program Receipts:			
Charges for Services	\$862,139	\$766,734	\$95,405
Operating Grants, Contributions and Interest	1,666,678	1,568,012	98,666
<i>Total Program Receipts</i>	<u>2,528,817</u>	<u>2,334,746</u>	<u>194,071</u>
General Receipts:			
Property Taxes	3,088,541	3,202,940	(114,399)
Income Tax	2,784,194	2,557,361	226,833
Grants and Entitlements not Restricted to Specific Programs	6,877,508	7,138,209	(260,701)
Investment Earnings	38,177	67,293	(29,116)
Gifts and Donations	4,636	14,884	(10,248)
Miscellaneous	170,759	83,965	86,794
<i>Total General Receipts</i>	<u>12,963,815</u>	<u>13,064,652</u>	<u>(100,837)</u>
<i>Total Receipts</i>	<u>15,492,632</u>	<u>15,399,398</u>	<u>93,234</u>
Program Disbursements:			
Instruction:			
Regular	5,951,259	6,097,472	(146,213)
Special	1,229,690	1,435,542	(205,852)
Vocational	449,442	479,376	(29,934)
Support Services:			
Pupils and Instructional Staff	1,203,774	1,235,646	(31,872)
Board of Education, Administration, Fiscal and Business	1,704,675	1,772,349	(67,674)
Operation and Maintenance of Plant	1,722,872	1,933,289	(210,417)
Pupil Transportation	996,263	931,560	64,703
Central	211,814	281,193	(69,379)
Operation of Non-Instructional Services	726,745	708,479	18,266
Extracurricular Activities	313,639	353,981	(40,342)
Interest and Fiscal Charges	63,520	67,120	(3,600)
<i>Total Disbursements</i>	<u>14,573,693</u>	<u>15,296,007</u>	<u>(\$722,314)</u>
<i>Change in Net Assets</i>	918,939	103,391	
<i>Net Assets at Beginning of Year</i>	14,169,971	14,066,580	
<i>Net Assets at End of Year</i>	<u>\$15,088,910</u>	<u>\$14,169,971</u>	

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Governmental Activities

In total, receipts increased primarily due to an increase in income tax collections. The increase was offset by a decrease in property taxes due to reduction in assessed values.

Disbursements decreased \$.7 million or five percent from the previous fiscal year. The decrease is due to staffing reductions and a change in insurance program that resulted in lower rates.

Again, it should be noted that the School District uses the modified cash basis of accounting which does not take into account any accruals and only includes actual amounts disbursed during the fiscal year being reported.

The School District's Funds

The School District's major funds are the General and Bond Retirement Funds and are accounted for using the modified cash basis of accounting. The General Fund accounts for 78 percent of total fund balance, 86 percent of total receipts and 86 percent of total disbursements.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$736,167. The increase is a result of the decreases in expenditures for the fiscal year.

General Fund Budgeting Highlights

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

During the course of the fiscal year, final appropriations decreased \$669,045 or five percent from original appropriations mainly due to reduction of staff and savings in insurance premium rates. Final appropriations were equal to actual disbursements.

For the General Fund, the final budgeted receipts estimate was \$13.3 million, a \$.4 million increase from the original budgeted receipts. The School District had unanticipated increases in income tax receipts. Actual receipts were nearly equal to final budget basis receipt estimates.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Capital Assets

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

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

	2012	2011	Change
Land	\$247,991	\$247,991	\$0
Land Improvements	48,027	54,502	(6,475)
Buildings and Improvements	6,459,095	6,777,866	(318,771)
Furniture, Fixtures, and Equipment	359,228	413,886	(54,658)
Vehicles	239,266	124,273	114,993
<i>Totals</i>	<u><u>\$7,353,607</u></u>	<u><u>\$7,618,518</u></u>	<u><u>(\$264,911)</u></u>

The overall decrease in capital assets was \$.3 million. For more information on capital assets, see Note 13 of the Basic Financial Statements.

Debt Administration

At June 30, 2012, the School District had \$2,164,998 in total outstanding School Improvement Refunding General Obligation Bonds. For more information on the School District's debt, see Note 14 of the Basic Financial Statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mollie M. Hansel, Treasurer at Preble Shawnee Local School District, 124 Bloomfield Street, Camden, Ohio 45311, or email at hanselm@preble-shawnee.k12.oh.us

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Preble Shawnee Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,900,301
Non-Depreciable Capital Assets	247,991
Depreciable Capital Assets, Net	7,105,616
<i>Total Assets</i>	17,253,908
 Liabilities:	
Due Within One Year	195,000
Due in More Than One Year	1,969,998
<i>Total Liabilities</i>	2,164,998
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,188,609
Restricted for:	
Debt Service	1,391,341
Classroom Facilities Maintenance	716,794
District Managed Activities	49,777
Other Purposes	14,315
Set-Asides	64,830
Unrestricted	7,663,244
<i>Total Net Assets</i>	\$15,088,910

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,951,259	\$326,984	\$330,730	(\$5,293,545)
Special	1,229,690	7,606	622,117	(599,967)
Vocational	449,442	0	131,736	(317,706)
Support Services:				
Pupils	702,672	0	2,879	(699,793)
Instructional Staff	501,102	0	62,263	(438,839)
Board of Education	68,369	0	0	(68,369)
Administration	1,197,543	125,361	95,615	(976,567)
Fiscal	435,594	0	41,578	(394,016)
Business	3,169	0	0	(3,169)
Operation and Maintenance of Plant	1,722,872	0	0	(1,722,872)
Pupil Transportation	996,263	859	26,956	(968,448)
Central	211,814	0	7,066	(204,748)
Operation of Non-Instructional Services	726,745	275,081	333,652	(118,012)
Extracurricular Activities	313,639	126,248	12,086	(175,305)
Interest and Fiscal Charges	63,520	0	0	(63,520)
<i>Total Governmental Activities</i>	<u>\$14,573,693</u>	<u>\$862,139</u>	<u>\$1,666,678</u>	<u>(12,044,876)</u>

General Receipts:

Property Taxes Levied For:	
General Purposes	2,660,395
Debt Service	374,994
Classroom Facilities	53,152
Income Tax	2,784,194
Grants and Entitlements not Restricted to	
Specific Programs	6,877,508
Investment Earnings	38,177
Gifts and Donations	4,636
Miscellaneous	170,759
<i>Total General Receipts</i>	<u>12,963,815</u>
<i>Change in Net Assets</i>	918,939
<i>Net Assets at Beginning of Year</i>	<u>14,169,971</u>
<i>Net Assets at End of Year</i>	<u>\$15,088,910</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$7,663,244	\$1,391,341	\$780,886	\$9,835,471
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,830	0	0	64,830
<i>Total Assets</i>	<u>\$7,728,074</u>	<u>\$1,391,341</u>	<u>\$780,886</u>	<u>\$9,900,301</u>
Fund Balances:				
Restricted	64,830	1,391,341	780,886	2,237,057
Committed	83,000	0	0	83,000
Assigned	146,659	0	0	146,659
Unassigned	7,433,585	0	0	7,433,585
<i>Total Fund Balances</i>	<u>\$7,728,074</u>	<u>\$1,391,341</u>	<u>\$780,886</u>	<u>\$9,900,301</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Modified Cash Basis
June 30, 2012

Total Governmental Fund Balances \$9,900,301

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

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

Land	247,991	
Land Improvements	439,914	
Buildings and Improvements	14,817,623	
Furniture, Fixtures, and Equipment	1,514,292	
Vehicles	941,292	
Accumulated Depreciation	<u>(10,607,505)</u>	
Total Capital Assets		7,353,607

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	<u>(2,164,998)</u>
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Net assets of Governmental Activities \$15,088,910

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$2,660,395	\$374,994	\$53,152	\$3,088,541
Income Tax	2,784,194	0	0	2,784,194
Tuition and Fees	335,449	0	0	335,449
Investment Earnings	38,177	0	0	38,177
Intergovernmental	7,194,657	67,449	1,269,994	8,532,100
Extracurricular Activities	62,259	0	87,350	149,609
Gifts and Donations	4,636	0	12,086	16,722
Charges for Services	102,000	0	275,081	377,081
Miscellaneous	169,173	0	1,586	170,759
<i>Total Receipts</i>	<u>13,350,940</u>	<u>442,443</u>	<u>1,699,249</u>	<u>15,492,632</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,377,876	0	331,509	5,709,385
Special	864,946	0	345,956	1,210,902
Vocational	378,587	0	55,689	434,276
Support Services:				
Pupils	698,976	0	2,933	701,909
Instructional Staff	420,751	0	61,818	482,569
Board of Education	68,369	0	0	68,369
Administration	1,084,110	0	99,377	1,183,487
Fiscal	421,291	11,825	2,013	435,129
Business	3,169	0	0	3,169
Operation and Maintenance of Plant	1,685,880	0	0	1,685,880
Pupil Transportation	1,109,683	0	0	1,109,683
Central	206,974	0	7,066	214,040
Operation of Non-Instructional Services	6,949	0	692,561	699,510
Extracurricular Activities	204,670	0	102,284	306,954
Debt Service:				
Principal Retirement	0	190,000	0	190,000
Interest and Fiscal Charges	0	63,520	0	63,520
<i>Total Disbursements</i>	<u>12,532,231</u>	<u>265,345</u>	<u>1,701,206</u>	<u>14,498,782</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>818,709</u>	<u>177,098</u>	<u>(1,957)</u>	<u>993,850</u>
Other Financing Sources (Uses):				
Advances In	80,000	0	80,000	160,000
Advances Out	(80,000)	0	(80,000)	(160,000)
Transfers In	0	0	82,542	82,542
Transfers Out	(82,542)	0	0	(82,542)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,542)</u>	<u>0</u>	<u>82,542</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	736,167	177,098	80,585	993,850
<i>Fund Balances at Beginning of Year</i>	<u>6,991,907</u>	<u>1,214,243</u>	<u>700,301</u>	<u>8,906,451</u>
<i>Fund Balances at End of Year</i>	<u><u>\$7,728,074</u></u>	<u><u>\$1,391,341</u></u>	<u><u>\$780,886</u></u>	<u><u>\$9,900,301</u></u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
 Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
 In Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$993,850

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

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

Capital Outlay	173,977	
Depreciation Disbursement	<u>(437,771)</u>	
Excess of Capital Outlay Under Depreciation Disbursement		(263,794)

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

Loss on Disposal of Capital Assets		(1,117)
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Repayment of long-term debt is a disbursement in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General Obligation Bonds Payments		<u>190,000</u>
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Change in Net Assets of Governmental Activities \$918,939

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	
Receipts:				
Property Taxes	\$2,740,375	\$2,660,395	\$2,660,395	\$0
Income Tax	2,557,361	2,784,194	2,784,194	0
Tuition and Fees	317,713	335,449	335,449	0
Investment Earnings	67,298	37,731	37,731	0
Intergovernmental	6,979,251	7,194,651	7,194,657	6
Extracurricular Activities	67,516	62,259	62,259	0
Gifts and Donations	8,295	4,636	4,636	0
Charges for Services	110,000	102,000	102,000	0
Miscellaneous	77,420	156,701	156,720	19
<i>Total Receipts</i>	<u>12,925,229</u>	<u>13,338,016</u>	<u>13,338,041</u>	<u>25</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,609,723	5,376,959	5,376,959	0
Special	843,991	864,946	864,946	0
Vocational	414,194	378,587	378,587	0
Other	50,000	8,592	8,592	0
Support Services:				
Pupils	715,118	698,976	698,976	0
Instructional Staff	445,820	420,751	420,751	0
Board of Education	73,013	68,774	68,774	0
Administration	1,157,578	1,084,469	1,084,469	0
Fiscal	407,260	423,723	423,723	0
Business	4,503	3,169	3,169	0
Operation and Maintenance of Plant	1,857,793	1,813,293	1,813,293	0
Pupil Transportation	1,110,818	1,114,380	1,114,380	0
Central	244,638	210,654	210,654	0
Operation of Non-Instructional Services	7,680	6,949	6,949	0
Extracurricular Activities	208,933	204,670	204,670	0
Capital Outlay	8,154	0	0	0
<i>Total Disbursements</i>	<u>13,159,216</u>	<u>12,678,892</u>	<u>12,678,892</u>	<u>0</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(233,987)</u>	<u>659,124</u>	<u>659,149</u>	<u>25</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	4,003	12,453	12,453	0
Advances In	219,929	80,000	80,000	0
Advances Out	(193,000)	(80,000)	(80,000)	0
Transfers In	564,444	0	0	0
Transfers Out	(158,263)	(82,542)	(82,542)	0
<i>Total Other Financing Sources (Uses)</i>	<u>437,113</u>	<u>(70,089)</u>	<u>(70,089)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	203,126	589,035	589,060	25
<i>Fund Balance at Beginning of Year</i>	6,903,229	6,903,229	6,903,229	0
<i>Prior Year Encumbrances Appropriated</i>	88,684	88,684	88,684	0
<i>Fund Balance at End of Year</i>	<u>\$7,195,039</u>	<u>\$7,580,948</u>	<u>\$7,580,973</u>	<u>\$25</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Fiduciary Assets and Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Asset:		
Equity in Pooled Cash and Cash Equivalents	\$26,893	\$27,610
Net Assets:		
Held in Trust for Scholarships	26,893	0
Held on Behalf of Students	0	24,737
Held on Behalf of Employees	0	2,873
<i>Total Net Assets</i>	\$26,893	\$27,610

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$13,184
Interest	144
Miscellaneous	71
<i>Total Additions</i>	13,399
Deductions:	
Payments in Accordance with Trust Agreements	3,200
<i>Change in Net Assets</i>	10,199
<i>Net Assets at Beginning of Year</i>	16,694
<i>Net Assets at End of Year</i>	\$26,893

See Accompanying Notes to the Basic Financial Statements

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Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Preble Shawnee Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 89 square miles. It is located in Butler, Montgomery, and Preble Counties, including all of Gasper, German, Gratis, Israel, Lanier, Somers, and Wayne Townships.

Reporting Entity:

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

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

The School District participates in four jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations include the Southwest Ohio Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, Preble County Professional Development Consortium, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Preble County Schools Regional Council of Governments, respectively. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, does not have any activities which are presented as business-type.

The Statement of Net Assets presents the cash balance, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

Fund Accounting

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

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. Following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for and report various revenues collected for the payment of the general obligation bonded debt.

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature. The School District's trust fund is a private purpose trust which accounts for college scholarship programs for students. The School District's agency funds account for those student activities which consist of a student body, student president, student treasurer, and faculty advisor, and for employee reimbursements of pretax medical premiums taken out of their payroll checks.

Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except the Agency Funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources that were in effect at the time final appropriations were passed by the Board.

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

Prior to fiscal year end, the School District passed a supplemental appropriation that reflected actual disbursements plus encumbrances for the fiscal year.

Cash and Investments

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

During fiscal year 2012, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2012 were \$38,177, which included \$8,476 assigned from other School District funds.

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for budget stabilization.

Capital Assets and Depreciation

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

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	45 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-8 years

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources for federal and State grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any nonspendable fund balances at year-end.

Restricted

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

Committed

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Long-Term Obligations

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds.

Internal Activity

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 3 - FUND BALANCES

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Restricted for</i>				
Set Asides	\$64,830	\$0	\$0	\$64,830
Debt Service Payments	0	1,391,341	0	1,391,341
Classroom Facilities Maintenance	0	0	716,794	716,794
District Managed Activities	0	0	49,777	49,777
Food Service	0	0	300	300
Donations	0	0	402	402
Title VI-B	0	0	696	696
Education Jobs	0	0	4,335	4,335
Title I	0	0	7,471	7,471
Preschool	0	0	68	68
Title II-A	0	0	1,043	1,043
<i>Total Restricted</i>	<u>\$64,830</u>	<u>\$1,391,341</u>	<u>\$780,886</u>	<u>\$2,237,057</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 3 - FUND BALANCES (continued)

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Committed to</i>				
Employee Reimbursements	\$72,000	\$0	\$0	\$72,000
Underground Storage	11,000	0	0	11,000
<i>Total Committed</i>	83,000	0	0	83,000
<i>Assigned to</i>				
Purchases on Order	146,659	0	0	146,659
<i>Total Assigned</i>	146,659	0	0	146,659
<i>Unassigned</i>	7,433,585	0	0	7,433,585
<i>Total Fund Balances</i>	<u>\$7,728,074</u>	<u>\$1,391,341</u>	<u>\$780,886</u>	<u>\$9,900,301</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the General Fund.

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Modified Cash Basis	\$736,167
Unrecorded Cash Fiscal Year 2012	(446)
Adjustment for Encumbrances	(146,661)
Budget Basis	<u>\$589,060</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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 passbook accounts.

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments

As of June 30, 2012, the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$2,096,392</u>	Average 53 Days

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

NOTE 6 - PROPERTY TAXES

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler, 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$156,328,610	97.00%	\$151,969,720	96.87%
Public Utility Personal	4,829,480	3.00%	4,917,450	3.13%
<i>Total Assessed Values</i>	<u>\$161,158,090</u>	<u>100.00%</u>	<u>\$156,887,170</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$25.78		\$23.20	

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 7 - INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. The School District levies an additional voted tax of three-fourths of a percent. The tax was effective on January 1, 2007 and is a five year tax and was renewed in August, 2010 for 5 more years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

NOTE 8 - INTERFUND ACTIVITY

At June 30, 2012, the General Fund received repayments of advances from Other Governmental Funds of \$80,000, for short-term loans made during fiscal year 2012.

The General Fund made transfers to Other Governmental Funds in the amount of \$82,542 during fiscal year 2012. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

NOTE 9 - RISK MANAGEMENT

Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for property, fleet, and liability insurance with OSP.

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Employee Medical Benefits

For fiscal year 2012, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 17). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the School District's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$282,019, \$269,392, and \$286,945, respectively. 100 percent has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$628,123, \$798,477, and \$775,459, respectively. The full amount has been contributed for all three fiscal years.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$14,709 made by the School District and \$10,506 made by the plan members. In addition, member contributions of \$12,635 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The School District's contribution rate is 6.2 percent of wages.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 11 – POST-EMPLOYMENT BENEFITS

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$32,336 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$44,549, \$65,815, and \$55,233, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$16,655, \$17,336, and \$17,064, respectively. The full amount has been contributed for all three fiscal years.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$48,317, \$61,421, and \$59,651, respectively; 100 percent has been contributed for all three fiscal years.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Life Insurance

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

Deferred Compensation Plan

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. All unused vacation, up to a balance not greater than three years accrual, may be carried forward to the succeeding fiscal year. Sick leave may be accumulated up to a maximum of 220 days for classified employees and 225 days for certified employees. Upon retirement, payment is made for 30 and 35 percent of accrued but unused sick leave credit at their daily rate upon retirement for classified and certified employees, respectively.

NOTE 13 - CAPITAL ASSETS

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

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$247,991	\$0	\$0	\$247,991
Capital Assets, Being Depreciated:				
Land Improvements	439,914	0	0	439,914
Buildings and Improvements	14,817,623	0	0	14,817,623
Furniture, Fixtures, and Equipment	1,502,107	12,185	0	1,514,292
Vehicles	781,500	161,792	(2,000)	941,292
<i>Total Capital Assets, Being Depreciated</i>	<u>17,541,144</u>	<u>173,977</u>	<u>(2,000)</u>	<u>17,713,121</u>
Less Accumulated Depreciation:				
Land Improvements	(\$385,412)	(\$6,475)	\$0	(\$391,887)
Buildings and Improvements	(8,039,757)	(318,771)	0	(8,358,528)
Furniture, Fixtures, and Equipment	(1,088,221)	(66,843)	0	(1,155,064)
Vehicles	(657,227)	(45,682)	883	(702,026)
<i>Total Accumulated Depreciation</i>	<u>(10,170,617)</u>	<u>(437,771) *</u>	<u>883</u>	<u>(10,607,505)</u>
<i>Capital Assets, Being Depreciated, Net</i>	<u>7,370,527</u>	<u>(263,794)</u>	<u>(1,117)</u>	<u>7,105,616</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$7,618,518</u>	<u>(\$263,794)</u>	<u>(\$1,117)</u>	<u>\$7,353,607</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 13 - CAPITAL ASSETS (continued)

* Depreciation disbursement was charged to governmental functions as follows:

Instruction:	
Regular	\$241,874
Special	18,788
Vocational	18,716
Support Services:	
Pupils	763
Instructional Staff	18,533
Administration	14,056
Fiscal	465
Operation and Maintenance of Plant	36,992
Pupil Transportation	47,255
Central	6,409
Operation of Non-Instructional Services	27,235
Extracurricular Activities	6,685
<i>Total Depreciation Disbursement</i>	<u><u>\$437,771</u></u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/2011	Additions	Deductions	Amount Outstanding 6/30/2012	Amounts Due in One Year
<u>Governmental Activities:</u>					
School Improvement Refunding					
Current Interest Bonds - 2010 2.0 - 3.6%	\$2,290,000	\$0	\$190,000	\$2,100,000	\$195,000
School Improvement Refunding					
Capital Appreciation Bonds - 2010 - 3.9%	64,998	0	0	64,998	0
Total Governmental Activities					
Long-Term Liabilities	\$2,354,998	\$0	\$190,000	\$2,164,998	\$195,000

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

School Improvement Refunding General Obligation Bonds

The 2010 Refunding Bonds were issued in the amount of \$2,524,998 on September 16, 2009 for the purpose of refunding the 1999 School Improvement Bonds. Of the bonds, \$2,460,000 are current interest bonds and \$64,998 are capital appreciation bonds. The capital appreciation bonds, issued at \$64,998, are not subject to prior redemption. The capital appreciation bonds mature in fiscal year 2017 in the amount of \$230,000. The bonds reach final maturity in fiscal year 2022 and will be paid from the Bond Retirement Fund with property tax revenues.

The net proceeds of \$2,575,000 from the refunding bonds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 bonds. As a result, \$2,525,000 of the 1999 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The 1999 bonds were called on December 1, 2009 at 102 percent of the principal amount and paid off completely.

The School District's overall legal debt margin was \$13,346,188 with an unvoted debt margin of \$156,887 at June 30, 2012.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Current Interest Bonds		General Obligation Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2013	\$195,000	\$59,670	\$0	\$0
2014	200,000	55,720	0	0
2015	225,000	51,020	0	0
2016	225,000	44,945	0	0
2017	0	41,570	64,998	165,002
2018-2022	1,255,000	111,085	0	0
<i>Total</i>	<u>\$2,100,000</u>	<u>\$364,010</u>	<u>\$64,998</u>	<u>\$165,002</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$49,537 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$871 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the School District paid \$1,058 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the Consortium. The School District paid PCPDC \$3,322 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyesc.org.

NOTE 16 - INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 16 - INSURANCE PURCHASING POOLS (continued)

Ohio School Plan

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

NOTE 17 - SHARED RISK POOL

Preble County Schools Regional Council of Governments

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

NOTE 18 - SET-ASIDE CALCULATIONS

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 acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The School District is no longer required to set aside funds in the budget stabilization reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 18 - SET-ASIDE CALCULATIONS (continued)

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

	Budget Stabilization	Capital Improvements
Set-aside Restricted Balance as of		
June 30, 2011	\$64,830	\$0
Current Fiscal Year Set-aside Requirement	0	248,075
Qualifying Disbursements	0	(215,652)
Current Fiscal Year Offsets	0	(53,152)
<i>Totals</i>	\$64,830	(\$20,729)
<i>Set-aside Balance Carried Forward to Future Fiscal Years</i>	\$64,830	\$0
<i>Set-aside Restricted Balance as of June 30, 2012</i>	\$64,830	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year. The total restricted balance for the set-asides at the end of the fiscal year was \$64,830. In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

NOTE 19 – CONTRACTUAL COMMITMENT

The School District had an outstanding contractual commitment to replace the sound system at the high school to Industrial Communications and Sound in the amount of \$73,985 at June 30, 2012.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 20 - CONTINGENCIES

A. Grants

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

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 21 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$72,545		\$72,545
Cash Assistance:						
National School Breakfast Program	2012	10.553	\$63,006		\$63,006	
National School Lunch Program	2012	10.555	263,288		263,288	
Total Child Nutrition Cluster			<u>326,294</u>	<u>72,545</u>	<u>326,294</u>	<u>72,545</u>
Total U.S. Department of Agriculture			<u>326,294</u>	<u>72,545</u>	<u>326,294</u>	<u>72,545</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2012	84.027	239,842		239,148	
	2011	84.027	29,404		37,642	
ARRA - Special Education - Grants to States	2011	84.391	10,394		13,896	
Total Special Education Grants to States			<u>279,640</u>		<u>290,686</u>	
Special Education - Preschool Grants	2012	84.173	3,412		3,341	
	2011	84.173	984		1,349	
ARRA - Special Education - Preschool Grants	2011	84.392	640		1,085	
Total Special Education - Preschool Grants			<u>5,036</u>		<u>5,775</u>	
Total Special Education Cluster			<u>284,676</u>		<u>296,461</u>	
Title I Grants to Local Educational Agencies	2012	84.010	204,999		197,528	
	2011	84.010	10,616		15,312	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	8,092		8,654	
Total Title I Grants to Local Educational Agencies			<u>223,707</u>		<u>221,494</u>	
Education Technology State Grants	2012	84.318	1,666		1,666	
Improving Teacher Quality State Grants	2012	84.367	8,247		10,344	
	2011	84.367	50,325		49,279	
Total Improving Teacher Quality State Grants			<u>58,572</u>		<u>59,623</u>	
Education Jobs	2012	84.410	320,543		316,210	
Total U.S. Department of Education			<u>889,164</u>	-	<u>895,454</u>	-
TOTAL FEDERAL ASSISTANCE			<u>\$1,215,458</u>	<u>\$72,545</u>	<u>\$1,221,748</u>	<u>\$72,545</u>

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Preble Shawnee Local School District
Preble County
124 Bloomfield Street
Camden, Ohio 45311

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 25, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 25, 2013.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 25, 2013



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

Preble Shawnee Local School District
Preble County
124 Bloomfield Street
Camden, Ohio 45311

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 25, 2013.

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



Dave Yost
Auditor of State

February 25, 2013

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.555 – National School Lunch Program CFDA #10.553 – National School Breakfast Program CFDA #84.410 – Education Jobs
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-01

Noncompliance

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

Ohio Administrative Code § 117-2-03 (B) requires a School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

We recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials, Response:

Several years ago the district changed to modified cash basis of accounting in order to save money. At this point it would be too expensive to switch back to generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Reissued as Finding 2012-01
2011-002	1512 Vendor Reporting	No	Finding No Longer Valid; Not Reissued

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PREBLE SHAWNEE LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**