



**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PREBLE SHAWNEE SCHOOL DISTRICT
PREBLE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Preble Shawnee Local School District, Preble County, Ohio, (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Preble Shawnee Local School District, Preble County, Ohio, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

February 21, 2002

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,859,040	\$359,564	\$417,836	\$419,554
Cash and Cash Equivalents:				
With Fiscal Agents	0	4,621	7,525	0
With Escrow Agents	0	0	0	105,091
Receivables:				
Property Taxes	2,566,760	61,548	640,347	0
Income Tax	654,660	0	0	0
Accounts	163	22,649	0	0
Intergovernmental	0	33,460	0	0
Accrued Interest	5,384	0	0	0
Interfund	9,698	0	0	0
Inventory of Supplies and Materials	34,064	21,502	0	0
Prepaid Items	12,524	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	108,895	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$5,251,188	\$503,344	\$1,065,708	\$524,645
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$36,439	\$514	\$0	\$0
Contracts Payable	0	0	0	90,228
Retainage Payable	0	0	0	105,091
Accrued Wages Payable	898,243	74,849	0	0
Intergovernmental Payable	198,606	13,942	0	0
Interfund Payable	0	2,698	0	7,000
Due to Students	0	0	0	0
Undistributed Monies	0	0	0	0
Deferred Revenue	2,569,798	80,663	615,422	0
Compensated Absences Payable	37,052	0	0	0
Special Termination Benefit Payable	5,000	0	0	0
Matured Interest Payable	0	0	7,525	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,745,138	172,666	622,947	202,319
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	170,043	58,951	0	283,371
Reserved for Inventory of Supplies and Materials	34,064	21,502	0	0
Reserved for Property Taxes	100,070	2,332	24,925	0
Reserved for Budget Stabilization	64,830	0	0	0
Reserved for Textbooks and Instructional Materials	44,065	0	0	0
Unreserved, Undesignated	1,092,978	247,893	417,836	38,955
Total Fund Equity and Other Credits	1,506,050	330,678	442,761	322,326
Total Liabilities, Fund Equity and Other Credits	\$5,251,188	\$503,344	\$1,065,708	\$524,645

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
AGENCY			
\$46,789	\$0	\$0	\$3,102,783
0	0	0	12,146
0	0	0	105,091
0	0	0	3,268,655
0	0	0	654,660
129	0	0	22,941
0	0	0	33,460
0	0	0	5,384
0	0	0	9,698
0	0	0	55,566
0	0	0	12,524
0	0	0	108,895
0	23,325,239	0	23,325,239
0	0	442,761	442,761
0	0	4,573,789	4,573,789
<u>\$46,918</u>	<u>\$23,325,239</u>	<u>\$5,016,550</u>	<u>\$35,733,592</u>

\$770	\$0	\$0	\$37,723
0	0	0	90,228
0	0	0	105,091
0	0	0	973,092
0	0	95,985	308,533
0	0	0	9,698
43,158	0	0	43,158
2,990	0	0	2,990
0	0	0	3,265,883
0	0	365,565	402,617
0	0	0	5,000
0	0	0	7,525
0	0	4,555,000	4,555,000
<u>46,918</u>	<u>0</u>	<u>5,016,550</u>	<u>9,806,538</u>

0	23,325,239	0	23,325,239
0	0	0	512,365
0	0	0	55,566
0	0	0	127,327
0	0	0	64,830
0	0	0	44,065
0	0	0	1,797,662
0	23,325,239	0	25,927,054
<u>\$46,918</u>	<u>\$23,325,239</u>	<u>\$5,016,550</u>	<u>\$35,733,592</u>

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Revenues:					
Property Taxes	\$2,128,376	\$52,975	\$530,343	\$0	\$2,711,694
Income Tax	1,448,046	0	0	0	1,448,046
Intergovernmental	6,684,903	801,291	69,140	122,362	7,677,696
Interest	188,904	787	0	46,969	236,660
Tuition and Fees	92,168	61,536	0	0	153,704
Rent	5,150	0	0	0	5,150
Extracurricular Activities	0	114,008	0	0	114,008
Charges for Services	0	313,384	0	0	313,384
Gifts and Donations	2,905	17,425	0	0	20,330
Miscellaneous	715	15,695	0	0	16,410
Total Revenues	<u>10,551,167</u>	<u>1,377,101</u>	<u>599,483</u>	<u>169,331</u>	<u>12,697,082</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,376,642	105,923	0	79,892	4,562,457
Special	1,030,365	328,681	0	0	1,359,046
Vocational	471,885	1,104	0	0	472,989
Adult/Continuing	0	930	0	0	930
Support Services:					
Pupils	411,269	51,567	0	0	462,836
Instructional Staff	253,939	203,734	0	0	457,673
Board of Education	41,326	0	0	0	41,326
Administration	844,341	46,329	0	0	890,670
Fiscal	297,689	1,296	12,966	0	311,951
Business	23,825	0	0	0	23,825
Operation and Maintenance of Plant	1,200,365	7,431	0	0	1,207,796
Pupil Transportation	836,735	0	0	0	836,735
Central	193,147	43,818	0	17,557	254,522
Operation of Non-Instructional					
Services	0	492,640	0	0	492,640
Extracurricular Activities	200,085	72,558	0	0	272,643
Capital Outlay	27,334	85,336	0	1,041,110	1,153,780
Debt Service:					
Principal Retirement	0	0	255,000	0	255,000
Interest and Fiscal Charges	0	0	287,594	0	287,594
Total Expenditures	<u>10,208,947</u>	<u>1,441,347</u>	<u>555,560</u>	<u>1,138,559</u>	<u>13,344,413</u>
Excess of Revenues Over (Under) Expenditures	<u>342,220</u>	<u>(64,246)</u>	<u>43,923</u>	<u>(969,228)</u>	<u>(647,331)</u>
Other Financing Sources (Uses):					
Operating Transfers In	0	153,094	0	4,879	157,973
Operating Transfers Out	(157,973)	0	0	0	(157,973)
Total Other Financing Sources (Uses)	<u>(157,973)</u>	<u>153,094</u>	<u>0</u>	<u>4,879</u>	<u>0</u>
Excess of Revenues and Other					
Financing Sources Over (Under)					
Expenditures and Other Financing Uses	184,247	88,848	43,923	(964,349)	(647,331)
Fund Balances at Beginning of Year	1,307,659	237,605	398,838	1,286,675	3,230,777
Increase (Decrease) in Reserve for Inventory	<u>14,144</u>	<u>4,225</u>	<u>0</u>	<u>0</u>	<u>18,369</u>
Fund Balances at End of Year	<u>\$1,506,050</u>	<u>\$330,678</u>	<u>\$442,761</u>	<u>\$322,326</u>	<u>\$2,601,815</u>

See Accompanying Notes to the General Purpose Financial Statements

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$2,112,066	\$2,112,066	\$0	\$52,737	\$52,737	\$0
Income Tax	1,384,173	1,384,173	0	0	0	0
Intergovernmental	6,675,321	6,685,254	9,933	765,162	765,162	0
Interest	187,428	187,428	0	787	787	0
Tuition and Fees	113,139	113,139	0	61,467	61,467	0
Rent	5,150	5,150	0	0	0	0
Extracurricular Activities	0	0	0	113,073	113,073	0
Charges for Services	0	0	0	313,324	313,384	60
Gifts and Donations	2,905	2,905	0	17,425	17,425	0
Miscellaneous	0	0	0	16,518	16,518	0
Total Revenues	<u>10,480,182</u>	<u>10,490,115</u>	<u>9,933</u>	<u>1,340,493</u>	<u>1,340,553</u>	<u>60</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,310,203	4,310,203	0	100,106	100,106	0
Special	1,074,561	1,074,561	0	338,463	338,463	0
Vocational	477,470	477,470	0	1,104	1,104	0
Adult/Continuing	0	0	0	930	930	0
Support Services:						
Pupils	410,857	410,857	0	51,228	51,228	0
Instructional Staff	263,266	263,266	0	213,722	213,722	0
Board of Education	43,701	43,701	0	0	0	0
Administration	846,176	846,176	0	46,778	46,778	0
Fiscal	291,404	291,404	0	1,296	1,296	0
Business	23,825	23,825	0	0	0	0
Operation and Maintenance of Plant	1,225,582	1,225,582	0	7,431	7,431	0
Pupil Transportation	821,449	821,449	0	0	0	0
Central	220,424	220,424	0	44,987	44,987	0
Operation of Non-Instructional						
Services	0	0	0	489,912	489,912	0
Extracurricular Activities	207,257	207,257	0	85,610	85,610	0
Capital Outlay	75,868	75,868	0	110,443	110,443	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>10,292,043</u>	<u>10,292,043</u>	<u>0</u>	<u>1,492,010</u>	<u>1,492,010</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>188,139</u>	<u>198,072</u>	<u>9,933</u>	<u>(151,517)</u>	<u>(151,457)</u>	<u>60</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	552	552	0	130	130	0
Advances In	8,800	8,800	0	2,698	2,698	0
Advances Out	(9,698)	(9,698)	0	0	0	0
Operating Transfers In	0	0	0	153,094	153,094	0
Operating Transfers Out	(157,973)	(157,973)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(158,319)</u>	<u>(158,319)</u>	<u>0</u>	<u>155,922</u>	<u>155,922</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>29,820</u>	<u>39,753</u>	<u>9,933</u>	<u>4,405</u>	<u>4,465</u>	<u>60</u>
Fund Balances at Beginning of Year	1,663,277	1,663,277	0	288,626	288,626	0
Prior Year Encumbrances Appropriated	81,770	81,770	0	7,010	7,010	0
Fund Balances at End of Year	<u>\$1,774,867</u>	<u>\$1,784,800</u>	<u>\$9,933</u>	<u>\$300,041</u>	<u>\$300,101</u>	<u>\$60</u>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			TOTAL (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$526,314	\$526,314	\$0	\$0	\$0	\$0	\$2,691,117	\$2,691,117	\$0
0	0	0	0	0	0	1,384,173	1,384,173	0
69,140	69,140	0	122,362	122,362	0	7,631,985	7,641,918	9,933
0	0	0	45,188	46,797	1,609	233,403	235,012	1,609
0	0	0	0	0	0	174,606	174,606	0
0	0	0	0	0	0	5,150	5,150	0
0	0	0	0	0	0	113,073	113,073	0
0	0	0	0	0	0	313,324	313,384	60
0	0	0	0	0	0	20,330	20,330	0
0	0	0	153,634	153,634	0	170,152	170,152	0
595,454	595,454	0	321,184	322,793	1,609	12,737,313	12,748,915	11,602
0	0	0	79,892	79,892	0	4,490,201	4,490,201	0
0	0	0	0	0	0	1,413,024	1,413,024	0
0	0	0	14,840	14,840	0	493,414	493,414	0
0	0	0	0	0	0	930	930	0
0	0	0	0	0	0	462,085	462,085	0
0	0	0	0	0	0	476,988	476,988	0
0	0	0	0	0	0	43,701	43,701	0
0	0	0	0	0	0	892,954	892,954	0
12,966	12,966	0	0	0	0	305,666	305,666	0
0	0	0	0	0	0	23,825	23,825	0
0	0	0	0	0	0	1,233,013	1,233,013	0
0	0	0	0	0	0	821,449	821,449	0
0	0	0	48,445	48,445	0	313,856	313,856	0
0	0	0	0	0	0	489,912	489,912	0
0	0	0	0	0	0	292,867	292,867	0
0	0	0	1,711,307	1,711,307	0	1,897,618	1,897,618	0
255,000	255,000	0	0	0	0	255,000	255,000	0
287,594	287,594	0	0	0	0	287,594	287,594	0
555,560	555,560	0	1,854,484	1,854,484	0	14,194,097	14,194,097	0
39,894	39,894	0	(1,533,300)	(1,531,691)	1,609	(1,456,784)	(1,445,182)	11,602
0	0	0	0	0	0	682	682	0
0	0	0	7,000	7,000	0	18,498	18,498	0
0	0	0	(8,800)	(8,800)	0	(18,498)	(18,498)	0
0	0	0	4,879	4,879	0	157,973	157,973	0
0	0	0	0	0	0	(157,973)	(157,973)	0
0	0	0	3,079	3,079	0	682	682	0
39,894	39,894	0	(1,530,221)	(1,528,612)	1,609	(1,456,102)	(1,444,500)	11,602
377,942	377,942	0	654,715	654,715	0	2,984,560	2,984,560	0
0	0	0	1,112,966	1,112,966	0	1,201,746	1,201,746	0
\$417,836	\$417,836	\$0	\$237,460	\$239,069	\$1,609	\$2,730,204	\$2,741,806	\$11,602

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 and/or 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. It is staffed by 78 non-certificated employees, 126 certificated full time teaching personnel and eight administrative employees to provide services to 1,734 students and other community members. The School District currently operates three instructional buildings and one administrative building.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the school district are not misleading. The primary government 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 would be financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations, one insurance purchasing pool and one share risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Preble County Consortium (the Consortium), respectively. These organizations are presented in Notes 16, 17 and 18 to the combined financial statements.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Preble Shawnee Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District.

B. Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds.

Under this basis, revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the School District, available means expected to be received within sixty days of year-end.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

C. Budgetary Process

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget:

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

Estimated Resources:

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

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate requested during fiscal year 2001. Prior to year-end the School District requested an amended certificate to match estimated revenues with actual revenue.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriation was legally enacted; however, these amendments were not significant. Prior to year-end, the School District passed supplemental appropriations to match actual expenditures plus encumbrances. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the Eisenhower special revenue fund and agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled, with the exception of cash equivalents held by fiscal agents and with escrow accounts. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits. In addition, the balance of the Eisenhower grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents." This represents deposits held at the Preble County Educational Service Center.

Cash and cash equivalents that are held separately in escrow accounts at a financial institution for retainages and not held with the Treasurer are recorded on the balance sheet as "cash and cash equivalents with escrow agents" and represent deposits.

During fiscal year 2001, the District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$188,904, which includes \$70,651 assigned from other funds.

For presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Interfund Assets/Liabilities

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Land and improvements and vehicles are capitalized at cost. The remaining fixed assets are valued at estimated historical cost based on an appraisal performed in June 1995. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

Assets in the general fixed assets account group are not depreciated.

I. Compensated Absences

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

K. Interfund Transactions

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials and for budget stabilization. See Note 19 for additional information regarding set-asides.

M. Estimates

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. This reserve amount consists exclusively of monies received from the Bureau of Workers' Compensation until April 10, 2001.

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of the statements had no effect on opening fund balances.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. The School District does not budget for the activities of the Eisenhower grant special revenue fund administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Preble Shawnee Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis:	\$184,247	\$88,848	\$43,923	(\$964,349)
Adjustments:				
Revenue Accruals	(59,784)	(36,418)	(4,029)	154,541
Expenditure Accruals	99,362	4,695	0	(431,428)
Non-Budgeted Funds	0	4,105	0	0
Unrecorded Cash	(716)	0	0	(1,079)
Prepaid Items	(39)	0	0	0
Advances	(898)	2,698	0	(1,800)
Encumbrances (Budget Basis)	<u>(182,419)</u>	<u>(59,463)</u>	<u>0</u>	<u>(284,497)</u>
Budget Basis	<u><u>\$39,753</u></u>	<u><u>\$4,465</u></u>	<u><u>\$39,894</u></u>	<u><u>(\$1,528,612)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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, but not limited to, passbook accounts.

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

At June 30, 2001, the School District had "cash and cash equivalents with fiscal agents" in the special revenue funds of \$4,621. The money is held by the Preble County Educational Service Center which is the fiscal agent of several other school districts and cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents for the Preble County Educational Service Center as a whole can be obtained by writing to Teresa Freeman at the Preble County Educational Service Center, 101 E. Main Street, Eaton, Ohio 45320.

Deposits: At year end, the carrying amount of the School District's deposits was \$285,910 and the bank balance was \$366,221. \$276,016 of the bank balance was covered by Federal Depository Insurance and \$90,205 was considered uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Both the carrying value and the fair value at June 30, 2001 were \$3,038,384.

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

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$3,328,915	\$0
Cash Held with the Preble County Educational Service Center	(4,621)	0
STAR Ohio	(3,038,384)	3,038,384
GASB Statement 3	\$285,910	\$3,038,384

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$105,034,080	88.70%	\$107,004,850	89.86%
Public Utility	10,672,450	9.01	9,304,070	7.81
Tangible Personal Property	2,715,130	2.29	2,777,030	2.33
Total Assessed Value	<u>\$118,421,660</u>	<u>100.00%</u>	<u>\$119,085,950</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$28.07		\$28.07	

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

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

The School District receives property taxes from Butler, Montgomery, and Preble Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2001, was \$127,327 and is recognized as revenue. \$100,070 was available to the general fund, \$2,332 was available to the classroom facilities maintenance special revenue fund, and \$24,925 was available to the bond retirement debt service fund.

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

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. 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. Income tax revenue credited to the general fund for fiscal year 2001 was \$1,448,046.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, accrued interest and interfund.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Title VI Grant	\$7,192
Title VI-R Grant	26,268
Total Intergovernmental Receivables	\$33,460

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 06/30/00	Additions	Deletions	Balance at 06/30/01
Land and Improvements	\$686,917	\$0	\$2,280	\$684,637
Buildings and Improvements	10,507,828	8,329,974	0	18,837,802
Furniture, Fixtures and Equipment	2,735,008	174,055	0	2,909,063
Vehicles	879,257	67,059	52,579	893,737
Construction in Progress	6,578,540	0	6,578,540	0
Total General Fixed Assets	\$21,387,550	\$8,571,088	\$6,633,399	\$23,325,239

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, boiler and machinery, and inland marine coverage.

Coverage provided by Nationwide Insurance is as follows:

Building and Contents - replacement cost (\$500 deductible)	\$28,088,400
Inland Marine Coverage (\$100 deductible)	500,000
Boiler and Machinery (\$1,000 deductible)	13,667,600
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Intergrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT (continued)

C. Employee Medical Benefits

For fiscal year 2001, the School District also participated in the Preble County Consortium (the Consortium), a shared risk pool consisting of five local school districts and an educational service center (See Note 18). The School District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all the Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$57,866, \$67,485 and \$96,617, respectively; 40.62 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$34,358 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$521,820, \$303,698 and \$286,032, respectively; 83.84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$84,310 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board are with SERS.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$247,178 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$154,653.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to various maximum levels depending on the length of the employee's contract. Upon retirement, payment is made for 30 percent of accrued, but unused sick leave credit.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Guarantee Mutual.

C. Special Termination Benefit Payable

The School District offers a bonus to certified employees who retire in the first year that they become eligible. For these employees, they must give written notice to the Superintendent by March 15 of the year he/she first becomes eligible for "full retirement" and they must have at least 30 years of service to retire as set forth by the State Teachers Retirement System. There was one employee during fiscal year 2001 that was eligible and took the bonus.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
School Improvement Bond 1982 10.75%	\$1,230,000	\$0	\$175,000	\$1,055,000
School Improvement Bond 1999 5.00%	3,580,000	0	80,000	3,500,000
Total General Obligation Bonds	4,810,000	0	255,000	4,555,000
Other Long-Term Obligations:				
Intergovernmental Payable	89,462	95,985	89,462	95,985
Compensated Absences	369,723	0	4,158	365,565
Total General Long-Term Obligations	<u>\$5,269,185</u>	<u>\$95,985</u>	<u>\$348,620</u>	<u>\$5,016,550</u>

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

School Improvement General Obligation Bonds

On December 1, 1982, Preble Shawnee Local School District issued \$4,050,000 in voted general obligation bonds for the purpose of an addition and improvements to the schools in the District. The bonds were issued for a twenty-four year period with final maturity at December 1, 2006. The debt will be retired from the debt service fund.

On March 3, 1999, Preble Shawnee Local School District issued \$3,692,900 in voted general obligation bonds for the purpose of additions and improvements to the school buildings in the District. The bonds were issued for a twenty-two year period with final maturity at December 1, 2021. The debt will be retired from the debt service fund.

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

The School District's overall legal debt margin was \$6,605,497 with an unvoted debt margin of \$119,086 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$260,000	\$265,994	\$525,994
2003	265,000	244,029	509,029
2004	275,000	221,478	496,478
2005	275,000	198,641	473,641
2006	280,000	175,779	455,779
2007-2011	820,000	671,520	1,491,520
2012-2016	885,000	486,556	1,371,556
2017-2021	1,205,000	230,125	1,435,125
2022	290,000	7,250	297,250
Total	<u>\$4,555,000</u>	<u>\$2,501,372</u>	<u>\$7,056,372</u>

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Amount</u>
J & H Mechanical	\$117,150
Broadwing Consulting	27,701
Ruscilli Construction Co.	204,205
Southwest Ohio Electric	246,210

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$26,546 for services provided during the year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member 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 forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during this one year period. Payments to SOEPC are made from the general fund. For fiscal year 2001, the School District paid \$2,012 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2001, the School District paid \$1,900 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 17 - INSURANCE PURCHASING POOL

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

Preble Shawnee Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 18 - SHARED RISK POOL

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

NOTE 19 - 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 textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	Budget Stabilization	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2000	\$205,608	\$37,672	\$0
Current Year Set-aside Requirement	0	230,506	230,506
Reduction in Requirement Based on Revised Legislation	(140,778)	0	0
Qualifying Disbursements	0	(224,113)	(230,506)
Set-aside Reserve Balance as of June 30, 2001	<u>\$64,830</u>	<u>\$44,065</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$64,830</u>	<u>\$44,065</u>	<u>\$0</u>

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - INTERFUND ACTIVITY

The general fund had an interfund receivable of \$9,698 at June 30, 2001, and the extra-curricular activities special revenue fund and the vocational education equipment capital projects fund had interfund payables of \$2,698 and \$7,000, respectively.

NOTE 21 - NONCOMPLIANCE

The School District did not properly encumber all expenditures.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 23 - SUBSEQUENT EVENTS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

Preble Shawnee Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 23 - SUBSEQUENT EVENTS (continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, the decision may result in an increase in State funding for most Ohio school districts. However, as of February 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and reconsideration will have on its future state funding and on its financial operations.

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U. S DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Commodity Distribution		10.550		\$41,522		\$38,565
National School Breakfast Program	05-PU-00	10.553	358		358	
	05-PU-01	10.553	2,632		2,632	
Total National School Breakfast Program			<u>2,990</u>		<u>2,990</u>	
National School Lunch Program	LL-P1-00	10.555	9,448		9,448	
	LL-P4-00	10.555	3,595		3,595	
	LL-P1-01	10.555	64,334		64,334	
	LL-P4-01	10.555	23,911		23,911	
Total National School Lunch Program			<u>101,288</u>		<u>101,288</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>104,278</u>	<u>41,522</u>	<u>104,278</u>	<u>38,565</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Title VI-B	6B-SF-01-P	84.027	106,769		106,769	
Public School Preschool	PG-S1-01-P	84.173	3,854		3,854	
Total Special Education Cluster			<u>110,623</u>		<u>110,623</u>	
Title 1	C1-S1-00	84.010			3,875	
	C1-S1-01		200,744		190,053	
Total Title 1			<u>200,744</u>		<u>193,928</u>	
Drug Free Schools	DR-S1-01	84.186	7,350		7,350	
Goals 2000	G2-S2-00	84.276	21,000		14,740	
	G2-S2-01		14,000		0	
Total Goals 2000			<u>35,000</u>		<u>14,740</u>	
Math Science Special Subsidy	MS-S1-00	84.281	7,446		7,446	
	MS-S4-00		50,500		50,500	
Total Math Science Special Subsidy			<u>57,946</u>		<u>57,946</u>	
Innovative Education Program Strategy	C2-S1-99 C	84.298	1,227		1,227	
	C2-S1-01		1,579		1,579	
Total Innovative Education Program Strategy			<u>2,806</u>		<u>2,806</u>	
Class Size Reduction Subsidy	CR-S1-00	84.340			11,325	
	CR-S1-01		11,258		11,258	
Total Class Size Reduction Subsidy			<u>11,258</u>		<u>22,583</u>	
Total U.S. Department of Education			<u>425,727</u>		<u>409,976</u>	
Total Federal Assistance			<u>\$530,005</u>	<u>\$41,522</u>	<u>\$514,254</u>	<u>\$38,565</u>

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

(A) Co-mingled with other food service revenues in fund 006, federal assumed spent first.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 Preble Shawnee School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10368-001.

However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10368-001.

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

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

However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated February 21, 2002.

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

Jim Petro
Auditor of State

February 21, 2002



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

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 District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Preble Shawnee Local School District
Preble County
Report of Independent Accountants on Compliance with Requirements
Applicable to The Major Federal Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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

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

Jim Petro
Auditor of State

February 21, 2002

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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

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

FINDING NUMBER 2001-10368-001

Material Noncompliance/Reportable Condition - Certification of Funds

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

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

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

Fifteen percent of expenditures tested for the audit period were not properly certified, since the invoice date preceded the purchase order date, and neither exception listed above was used.

Failure to properly certify funds can result in overspending funds and negative cash fund balances.

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

This was also reported in the management letter of the audit of the 2000 financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10368-001	Future Farmers of America Checking Account	Yes	



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OFFICE OF THE AUDITOR

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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, 2002**