



**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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 fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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Jim Petro
Auditor of State

December 15, 1999

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,252,576	\$201,938	\$448,643	\$3,326,430
Cash and Cash Equivalents:				
With Fiscal Agent	0	4,362	4,837	0
Receivables:				
Property Taxes	2,016,709	50,250	513,149	0
Income Tax	462,154	0	0	0
Accounts	2,078	22,856	0	0
Intergovernmental	59,225	17,559	0	0
Accrued Interest	4,520	0	0	0
Inventory of Supplies and Materials	19,247	21,406	0	0
Prepaid Items	11,818	0	0	0
Restricted Assets:				
Pooled Cash and Cash Equivalents	238,914	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	\$4,067,241	\$318,371	\$966,629	\$3,326,430
 Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$36,715	\$1,115	\$0	\$44,665
Contracts Payable	0	0	0	323,659
Retainage Payable	0	0	0	24,466
Accrued Wages Payable	920,261	71,886	0	0
Intergovernmental Payable	191,141	15,097	0	0
Due to Students	0	0	0	0
Undistributed Monies	0	0	0	0
Deferred Revenue	1,914,708	49,784	487,700	0
Compensated Absences Payable	46,650	0	0	0
Early Retirement Incentive	0	0	0	0
Matured Interest Payable	0	0	4,837	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,109,475	137,882	492,537	392,790
 Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	92,255	39,477	0	3,032,440
Reserved for Inventory of Supplies and Materials	19,247	21,406	0	0
Reserved for Property Taxes	102,001	2,550	25,449	0
Reserved for Budget Stabilization	203,789	0	0	0
Reserved for Textbooks and Instructional Materials	35,125	0	0	0
Unreserved, Designated for Capital Improvements	71,829	0	0	0
Unreserved, Undesignated (Deficit)	433,520	117,056	448,643	(98,800)
Total Fund Equity and Other Credits	957,766	180,489	474,092	2,933,640
Total Liabilities, Fund Equity and Other Credits	\$4,067,241	\$318,371	\$966,629	\$3,326,430

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			
\$51,331	\$0	\$0	\$5,280,918
0	0	0	9,199
0	0	0	2,580,108
0	0	0	462,154
0	0	0	24,934
0	0	0	76,784
0	0	0	4,520
0	0	0	40,653
0	0	0	11,818
0	0	0	238,914
0	15,547,456	0	15,547,456
0	0	474,092	474,092
0	0	5,191,053	5,191,053
<u>\$51,331</u>	<u>\$15,547,456</u>	<u>\$5,665,145</u>	<u>\$29,942,603</u>

\$494	\$0	\$0	\$82,989
0	0	0	323,659
0	0	0	24,466
0	0	0	992,147
0	0	92,630	298,868
47,532	0	0	47,532
3,305	0	0	3,305
0	0	0	2,452,192
0	0	390,115	436,765
0	0	79,500	79,500
0	0	0	4,837
0	0	5,102,900	5,102,900
<u>51,331</u>	<u>0</u>	<u>5,665,145</u>	<u>9,849,160</u>

0	15,547,456	0	15,547,456
0	0	0	3,164,172
0	0	0	40,653
0	0	0	130,000
0	0	0	203,789
0	0	0	35,125
0	0	0	71,829
0	0	0	900,419
<u>0</u>	<u>15,547,456</u>	<u>0</u>	<u>20,093,443</u>
<u>\$51,331</u>	<u>\$15,547,456</u>	<u>\$5,665,145</u>	<u>\$29,942,603</u>

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues:					
Property Taxes	\$1,746,547	\$43,667	\$235,502	\$98,400	\$2,124,116
Income Tax	1,302,882	0	0	0	1,302,882
Intergovernmental	6,459,041	802,546	38,143	646,218	7,945,948
Interest	166,861	0	0	173,250	340,111
Tuition and Fees	135,044	89,933	0	0	224,977
Rent	6,098	0	0	0	6,098
Extracurricular Activities	0	93,420	0	0	93,420
Gifts and Donations	20,136	20,999	0	0	41,135
Miscellaneous	8,713	8,790	0	0	17,503
Total Revenues	9,845,322	1,059,355	273,645	917,868	12,096,190
Expenditures:					
Current:					
Instruction:					
Regular	4,463,213	135,242	0	154,254	4,752,709
Special	736,941	398,012	0	0	1,134,953
Vocational	487,540	0	0	0	487,540
Adult/Continuing	0	2,492	0	0	2,492
Support Services:					
Pupils	400,045	42,705	0	0	442,750
Instructional Staff	397,112	31,984	0	8,650	437,746
Board of Education	33,539	0	0	0	33,539
Administration	799,057	29,629	0	0	828,686
Fiscal	317,599	1,106	8,084	0	326,789
Business	23,799	0	0	0	23,799
Operation and Maintenance of Plant	1,203,125	50,928	0	954	1,255,007
Pupil Transportation	681,699	1,166	0	0	682,865
Central	121,470	26,334	0	18,865	166,669
Operation of Non-Instructional					
Services	0	485,984	0	0	485,984
Extracurricular Activities	238,947	112,336	0	0	351,283
Capital Outlay	60,130	0	0	1,418,310	1,478,440
Debt Service:					
Principal Retirement	0	0	175,000	0	175,000
Interest and Fiscal Charges	0	0	203,375	98,400	301,775
Total Expenditures	9,964,216	1,317,918	386,459	1,699,433	13,368,026
Excess of Revenues Under Expenditures	(118,894)	(258,563)	(112,814)	(781,565)	(1,271,836)
Other Financing Sources (Uses):					
Proceeds from Sale of Bonds	0	0	0	3,692,900	3,692,900
Operating Transfers In	0	260,905	0	0	260,905
Operating Transfers Out	(260,905)	0	0	0	(260,905)
Total Other Financing Sources (Uses)	(260,905)	260,905	0	3,692,900	3,692,900
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(379,799)	2,342	(112,814)	2,911,335	2,421,064
Fund Balances at Beginning of Year - Restated (See Note 21)					
	1,351,554	173,082	586,906	22,305	2,133,847
Increase (Decrease) in Reserve for Inventory	(13,989)	5,065	0	0	(8,924)
Fund Balances at End of Year	\$957,766	\$180,489	\$474,092	\$2,933,640	\$4,545,987

See Accompanying Notes to the General Purpose Financial Statements

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

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$1,737,431	\$1,737,431	\$0	\$43,439	\$43,439	\$0
Income Tax	1,277,110	1,277,110	0	0	0	0
Intergovernmental	6,459,041	6,459,041	0	791,375	791,375	0
Interest	162,466	162,466	0	0	0	0
Tuition and Fees	107,785	107,785	0	72,192	72,192	0
Rent	6,098	6,098	0	0	0	0
Extracurricular Activities	0	0	0	93,132	93,132	0
Gifts and Donations	20,136	20,136	0	20,999	20,999	0
Miscellaneous	5,022	5,022	0	7,242	7,242	0
Total Revenues	<u>9,775,089</u>	<u>9,775,089</u>	<u>0</u>	<u>1,028,379</u>	<u>1,028,379</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,364,309	4,364,309	0	164,847	164,847	0
Special	736,865	736,865	0	413,296	413,296	0
Vocational	495,089	495,089	0	0	0	0
Adult/Continuing	0	0	0	2,500	2,500	0
Support Services:						
Pupils	396,991	396,991	0	45,271	45,271	0
Instructional Staff	406,943	406,943	0	26,775	26,775	0
Board of Education	36,251	36,251	0	0	0	0
Administration	787,296	787,296	0	29,037	29,037	0
Fiscal	336,519	336,519	0	1,106	1,106	0
Business	25,006	25,006	0	0	0	0
Operation and Maintenance of Plant	1,212,721	1,212,721	0	50,639	50,639	0
Pupil Transportation	724,385	724,385	0	1,166	1,166	0
Central	122,291	122,291	0	26,143	26,143	0
Operation of Non-Instructional						
Services	0	0	0	485,686	485,686	0
Extracurricular Activities	233,255	233,255	0	112,336	112,336	0
Capital Outlay	60,130	60,130	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>9,938,051</u>	<u>9,938,051</u>	<u>0</u>	<u>1,358,802</u>	<u>1,358,802</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(162,962)</u>	<u>(162,962)</u>	<u>0</u>	<u>(330,423)</u>	<u>(330,423)</u>	<u>0</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	1,566	1,566	0	8	8	0
Advances In	29,653	29,653	0	0	0	0
Advances Out	0	0	0	(27,585)	(27,585)	0
Operating Transfers In	0	0	0	260,905	260,905	0
Operating Transfers Out	(260,905)	(260,905)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(229,686)</u>	<u>(229,686)</u>	<u>0</u>	<u>233,328</u>	<u>233,328</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(392,648)</u>	<u>(392,648)</u>	<u>0</u>	<u>(97,095)</u>	<u>(97,095)</u>	<u>0</u>
Fund Balances at Beginning of Year	1,434,336	1,434,336	0	144,940	144,940	0
Prior Year Encumbrances Appropriated	336,857	336,857	0	114,416	114,416	0
Fund Balances (Deficit) at End of Year	<u>\$1,378,545</u>	<u>\$1,378,545</u>	<u>\$0</u>	<u>\$162,261</u>	<u>\$162,261</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$317,768	\$317,768	\$0	\$0	\$0	\$0
0	0	0	0	0	0
38,143	38,143	0	646,218	646,218	0
0	0	0	173,250	173,250	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
355,911	355,911	0	819,468	819,468	0
0	0	0	154,254	154,254	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	8,650	8,650	0
0	0	0	0	0	0
0	0	0	0	0	0
8,084	8,084	0	0	0	0
0	0	0	0	0	0
0	0	0	954	954	0
0	0	0	0	0	0
0	0	0	18,865	18,865	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,112,042	4,112,042	0
3,865,000	3,865,000	0	0	0	0
301,775	301,775	0	0	0	0
4,174,859	4,174,859	0	4,294,765	4,294,765	0
(3,818,948)	(3,818,948)	0	(3,475,297)	(3,475,297)	0
3,690,000	3,690,000	0	2,900	2,900	0
0	0	0	3,690,000	3,690,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(2,068)	(2,068)	0
0	0	0	0	0	0
0	0	0	0	0	0
3,690,000	3,690,000	0	3,690,832	3,690,832	0
(128,948)	(128,948)	0	215,535	215,535	0
577,591	577,591	0	24,373	24,373	0
0	0	0	0	0	0
\$448,643	\$448,643	\$0	\$239,908	\$239,908	\$0

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Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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, 135 certificated full time teaching personnel and seven administrative employees to provide services to 1,805 students and other community members. The School District currently operates three instructional buildings and one administrative building.

The reporting entity is composed of the primary government. 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 for the organization. The School District does not have any component units.

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

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.

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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net 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 - 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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 that are intended to finance fiscal year 2000 operations and delinquent property taxes whose availability is indeterminable, have been recorded 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 the 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 and the Eisenhower special revenue fund 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. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 issued during fiscal year 1999. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission 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 appropriations were legally enacted; however, neither of these amendments were 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 agency funds, consistent with statutory provisions.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds 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 agent" 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 agent." This represents deposits held at the Preble County Educational Service Center.

During fiscal year 1999, 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, 1999.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$166,861, which includes \$55,103 assigned from other funds. The School District also received interest in the capital projects funds of \$173,250.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For presentation on the combined balance sheet, investments of the cash management pool or 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. 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.

F. Prepaid Items

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. 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.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Library Automation
- Disadvantaged Pupil Program
- Career Development
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Eisenhower
- Tech Equity Grant
- Instructional Materials Subsidy
- Title VI-B
- Title I
- Title VI
- Drug Free Schools
- Public School Preschool
- Goals 2000

Capital Projects Fund

- Schoolnet Plus
- Classroom Facilities

Reimbursable Grants

General Fund

- Driver Education Reimbursement
- Vocational Education Travel/Salary

Special Revenue Funds

- National School Lunch Program
- E-Rate

Grants and entitlements received in governmental funds amounted to 65 percent of governmental fund revenue during the 1999 fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 contractually required pension contributions, and the early retirement incentive 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. Amounts paid more than sixty days after year-end are considered not to have been paid with current available financial resources. General obligation bonds and the early retirement incentive are reported as a liability of the general long-term obligations account group until due.

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. Estimates

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, budget stabilization and textbook and instructional material purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations may arise when amounts set-aside for HB 412 purposes exceed the statutory required amount. The amount designated for capital acquisition this year for the School District is \$71,829. The HB 412 set-aside amounts reported as designated rather than reserved are not reported as restricted assets.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position 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.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the EMIS, title I and drug free schools special revenue funds had deficit fund balances of \$51, \$753 and \$361, respectively, which were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 administered by the fiscal agent who collects and holds the assets. 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.
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
6. Short-term note debt was repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis:	(\$379,799)	\$2,342	(\$112,814)	\$2,911,335
Adjustments:				
Revenue Accruals	(68,667)	(30,968)	82,266	0
Expenditure Accruals	138,508	1,715	0	294,390
Reallocation of Debt Activity	0	0	(98,400)	98,400
Principal Payment	0	0	(3,690,000)	0
Non-Budgeted Funds	0	(2,923)	0	0
Prepaid Items	602	0	0	0
Proceeds of Notes	0	0	0	3,690,000
Proceeds of Bonds	0	0	3,690,000	(3,690,000)
Advances	29,653	(27,585)	0	(2,068)
Encumbrances	(112,945)	(39,676)	0	(3,086,522)
Budget Basis	(\$392,648)	(\$97,095)	(\$128,948)	\$215,535

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.

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.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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."

The "Cash and Cash Equivalents with Fiscal Agent" of \$4,362 shown in the special revenue funds is maintained with the Preble County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

Deposits: At year end, the carrying amount of the School District's deposits was \$232,193 and the bank balance was \$415,756. \$324,654 of the bank balance was covered by Federal Depository Insurance and \$91,102 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, 1999 were \$5,292,476.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

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

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

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

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

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - PROPERTY TAXES (continued)

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$82,373,410	86.83%	\$84,109,040	86.48%
Public Utility	9,825,400	10.36	10,882,340	11.19
Tangible Personal Property	<u>2,665,620</u>	<u>2.81</u>	<u>2,264,530</u>	<u>2.33</u>
Total Assessed Value	<u>\$94,864,430</u>	<u>100.00%</u>	<u>\$97,255,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.58		\$28.07	

The School District passed a new levy during fiscal year 1999. The levy was for the purpose of construction and maintenance of capital facilities.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$102,001 in the general fund, \$2,550 in classroom facilities special revenue fund, and \$25,449 in the bond retirement fund.

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 is credited to the general fund.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Fiscal Year 1999 Tuition Reimbursement	\$24,223
Reimbursement of Special Education	13,517
Driver's Education Reimbursement	400
SOEPC Group Pool Reimbursement	21,085
Total General Fund	59,225
Special Revenue Funds:	
Fiscal Year 1999 Tuition Reimbursement	80
E-Rate Reimbursement	1,297
Breakfast and Lunch Reimbursements	16,182
Total Special Revenue Funds	17,559
Total Intergovernmental Receivables	\$76,784

NOTE 9 - FIXED ASSETS

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

Asset Category	Balance at 06/30/98	Additions	Deletions	Balance at 06/30/99
Land and Improvements	\$584,220	\$102,697	\$0	\$686,917
Buildings and Improvements	10,483,614	0	0	10,483,614
Furniture, Fixtures and Equipment	2,450,864	235,776	13,725	2,672,915
Vehicles	912,753	0	33,496	879,257
Construction in Progress	0	824,753	0	824,753
Total General Fixed Assets	\$14,431,451	\$1,163,226	\$47,221	\$15,547,456

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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

Coverages provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$21,009,900
Inland Marine Coverage (\$100 deductible)	31,184
Boiler and Machinery (\$1,000 deductible)	13,211,100
Automobile Liability	2,000,000
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 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The Plan is intended 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 Comp Management of Ohio provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - RISK MANAGEMENT (continued)

C. Employee Medical Benefits

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$96,617, \$120,319 and \$81,733, respectively; 47.92 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$50,315 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$286,032, \$495,209 and \$471,205, respectively; 79.81 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$57,752 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$381,376 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$97,053.

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-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 a maximum of 205 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for classified employees and 40 days for certified employees.

B. Life Insurance

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

C. Early Retirement Incentive

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. A \$79,500 liability exists at year-end for the probability of people who will be eligible to receive a bonus in the future. This amount is shown in the general long-term obligations account group.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
School Improvement Bond 1982 10.75%	\$1,585,000	\$0	\$175,000	\$1,410,000
School Improvement Bond 1999 5.00%	0	3,692,900	0	3,692,900
Total General Obligation Bonds	1,585,000	3,692,900	175,000	5,102,900
Other Long-Term Obligations:				
Intergovernmental Payable	87,950	92,630	87,950	92,630
Early Retirement Incentive	0	79,500	0	79,500
Compensated Absences	380,115	10,000	0	390,115
Total General Long-Term Obligations	<u>\$2,053,065</u>	<u>\$ 3,875,030</u>	<u>\$262,950</u>	<u>\$5,665,145</u>

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 early retirement incentive will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$4,124,224 with an unvoted debt margin of \$97,256 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$292,900	\$309,725	\$602,625
2001	255,000	287,594	542,594
2002	260,000	265,994	525,994
2003	265,000	244,029	509,029
2004	275,000	221,478	496,478
2005-2022	3,755,000	1,769,870	5,524,870
Total	<u>\$5,102,900</u>	<u>\$3,098,690</u>	<u>\$8,201,590</u>

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - NOTES PAYABLE

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

Fund Type/Fund/Issue	Interest Rate	Balance at June 30, 1998	Increases	Decreases	Balance at June 30, 1999
Capital Projects Fund:					
Classroom Facilities	5%	\$0	\$3,690,000	\$3,690,000	\$0

In July, 1999, the School District issued \$3,690,000 in bond anticipation notes for the period of one year. The notes were retired by the issuance of general obligation bonds. The liability for these notes were recorded in the classroom facilities capital projects fund, the fund that received the proceeds.

NOTE 16 - CONTRACTUAL COMMITMENTS

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

Applied Mechanical Systems	\$25,975
Arctic Heating and Air Conditioning	517,700
Clemens and Co.	525,000
CMM Construction	1,731,400
Donell Inc.	150,400
Demmy Construction	211,709
Eagle Electrical Systems	328,343
J & H Mechanical	117,151
Mechanical Systems	31,000
O'Rourke Wrecking Co.	186,490
Southwest Ohio Electric	246,210

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. 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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

representative from the fiscal agent. The School District paid SWOCA \$22,465 for services provided during fiscal year 1999. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the Preble Shawnee Local School District paid \$4,382 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area.

All superintendents except for those from educational service centers vote on the representatives after the nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$4,890 to SOITA. To obtain financial information,

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 18 - INSURANCE PURCHASING POOL

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

NOTE 19 - SHARED RISK POOL

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

NOTE 20 - OPERATING LEASE- LESSEE DISCLOSURE

The School District is the lessee for an operating lease with GE Capital Modular Space, a division of Transport International Pool, Inc. to provide modular classroom units while the new school building is being constructed. The general leasing agreement states that the lessee agrees to pay to the lessor, monthly in advance, for 24 months, a monthly payment of \$598 dollars. Current and the final year rental costs for the fiscal year ended June 30, 1999, were \$7,176.

NOTE 21 - RESTATEMENT OF BALANCES

In the prior year, there were advances that were misclassified. Due to these misclassifications, a prior period adjustment is necessary in the general fund, special revenue funds, and the capital projects funds.

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 21 - RESTATEMENT OF BALANCES (continued)

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

	General	Special Revenue	Capital Projects
Fund Balance at June 30, 1998	\$1,345,496	\$177,073	\$24,374
Restatement for advances	6,058	(3,991)	(2,069)
Fund Balance at July 1, 1998	<u>\$1,351,554</u>	<u>\$173,082</u>	<u>\$22,305</u>

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$189,974	\$189,974	\$130,651	\$510,599
Current Year Set-aside Requirement	146,277	146,277	73,138	365,692
Additional Money Set Aside	0	71,829	0	71,829
Current Year Offsets	(26,793)	(3,692,900)	0	(3,719,693)
Qualifying Disbursements	(274,333)	(351,125)	0	(625,458)
Total	<u>\$35,125</u>	<u>(\$3,635,945)</u>	<u>\$203,789</u>	<u>(\$3,397,031)</u>
Cash Balance Carried Forward to FY 2000	<u>\$35,125</u>	<u>\$0</u>	<u>\$203,789</u>	<u>\$238,914</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future years. The negative amounts for capital acquisitions are therefore not presented as being carried forward to the next fiscal year. The School District also set-

NOTE 22 SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

aside additional money in excess of statutory requirements for capital acquisition. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is therefore not included in restricted assets.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The District is a defendant in a lawsuit. Negotiations and discovery are ongoing. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the District's financial condition.

NOTE 24 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$6,145,833 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Preble Shawnee Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 25 - YEAR 2000 COMPLIANCE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

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

The District uses the Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Southwest Ohio Computer Association (SWOCA - see Note 17). OECN is responsible for remediating these systems.

Preble County collects property taxes for distribution to the District. Currently Preble County is in has tested and determined that its tax collection system is year 2000 compliant. The District has a contingency plan to reasonably assure continued operation should the County tax collection and disbursement system not operate properly.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

First National Bank of Southwestern Ohio is the District's main bank for the processing of daily banking transactions. As of November 17, 1999, per the First National Bank of Southwestern Ohio's Internet Web page, the bank has validated and tested all of its hardware and software, and determined it is year 2000 compliant.

Fifth Third Bank processes the electronic fund transfers for all the schools using the SWOCA system. As of November 17, 1999, per Fifth Third's Internet Web page, Fifth Third is year 2000 compliant.

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

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Commodity Distribution		10.550	\$0	\$40,401	\$0	\$35,757
National School Breakfast Program	05-PU-98	10.553	2,026	0	2,026	0
	05-PU-99	10.553	4,059	0	4,059	0
Total National School Breakfast Program			<u>6,085</u>	<u>0</u>	<u>6,085</u>	<u>0</u>
National School Lunch Program	03-PU-98	10.555	7,479	0	7,479	0
	03-PU-99		17,365	0	17,365	0
	04-PU-98		21,315	0	21,315	0
	04-PU-99		51,898	0	51,898	0
Total National School Lunch Program			<u>98,057</u>	<u>0</u>	<u>98,057</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>104,142</u>	<u>40,401</u>	<u>104,142</u>	<u>35,757</u>
U. S. DEPARTMENT OF EDUCATION						
E-Rate Program		84.XXX	4,812	0	1,033	0
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Title VI-B	6B-SF-98P	84.027	69,488	0	69,488	0
Public School Preschool	PG-S1-98	84.173	3,549	0	3,549	0
Total Special Education Cluster			<u>73,037</u>	<u>0</u>	<u>73,037</u>	<u>0</u>
Title 1	C1-S1-99	84.010	200,744	0	200,744	0
Drug Free Schools	DR-S1-99	84.186	9,639	0	9,639	0
Goals 2000	G2-S1-97	84.276	0	0	2,365	0
Goals 2000 (Special Projects)	G2-SP-99	84.276	5,000	0	5,000	0
Total Goals 2000			<u>5,000</u>	<u>0</u>	<u>7,365</u>	<u>0</u>
Innovative Education Program Strategy	C2-S1-99	84.298	6,959	0	6,959	0
<i>Passed through Miami Valley Career Technology Center</i>						
Carl Perkins/Vocational Education	98	84.048	0	0	1,746	0
	99		3,092	0	1,062	0
Total Carl Perkins/Vocational Education			<u>3,092</u>	<u>0</u>	<u>2,808</u>	<u>0</u>
Total U.S. Department of Education			<u>303,283</u>	<u>0</u>	<u>301,585</u>	<u>0</u>
Total Federal Assistance			<u>\$407,425</u>	<u>\$40,401</u>	<u>\$405,727</u>	<u>\$35,757</u>

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

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 the Preble Shawnee Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 15, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 15, 1999.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 15, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
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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 the 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 fiscal year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would

be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 15, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

No findings related to the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs for federal awards.



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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
JANUARY 11, 2000**