



Dave Yost • Auditor of State

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2014

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The discussion and analysis of Preble Shawnee Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014 within the limitations of the School District's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The School District's net position increased \$1,803,084 during this fiscal year's operations.
- Intergovernmental revenue increased mainly due to increases in the State foundation revenues received and income taxes.
- Staffing levels were held at relatively the same size as in fiscal year 2013. Additionally, current employees received a two percent increase to their base salary and step increases. The healthcare plan premium costs also increased about eight percent.

Using this Annual Financial Report

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

Report Components

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

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

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

Basis of Accounting

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

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Reporting the School District as a Whole

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

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2014, within the limitations of the modified cash basis of accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1			
Net Position			
	2014	2013	Change
Assets:			
Current and Other Assets	\$12,783,141	\$10,974,335	\$1,808,806
Capital Assets	6,811,970	7,017,692	(205,722)
Total Assets	19,595,111	17,992,027	1,603,084
Liabilities:			
Long-Term Liabilities	1,769,998	1,969,998	(200,000)
Net Position:			
Net Investment in Capital Assets	5,041,972	5,047,694	(5,722)
Restricted	3,037,873	2,490,408	547,465
Unrestricted	9,745,268	8,483,927	1,261,341
Total Net Position	\$17,825,113	\$16,022,029	\$1,803,084

Current and other assets consisting of cash and cash equivalents increased \$1,808,806. This increase is due to an increase in the Foundation settlement grants and income tax collected. Capital assets decreased \$205,722 due to current fiscal year depreciation being higher than current year additions.

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

Net investment in capital assets decreased as a result of depreciation expense being higher than fiscal year 2014 asset additions and debt payments. Restricted net position increased due to the collection of property taxes for the retirement of debt being higher than the required debt payments and advances from the General Fund to support the food service and tennis court replacement funds.

Unrestricted net position increased as a result of the increase in receipts related to the State foundation monies and tuition and fees. State foundation monies increased due to a change in the funding calculation and open enrollment out of the School District decreased.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 compared to fiscal year 2013.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

**Table 2
Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Receipts:			
Program Receipts:			
Charges for Services	\$730,392	\$781,129	(\$50,737)
Operating Grants, Contributions and Interest	1,529,505	1,455,774	73,731
Total Program Receipts	<u>2,259,897</u>	<u>2,236,903</u>	<u>22,994</u>
General Receipts:			
Property Taxes	3,139,741	3,063,524	76,217
Income Tax	3,068,528	2,693,783	374,745
Grants and Entitlements not Restricted to Specific Programs	7,531,970	6,816,648	715,322
Investment Earnings	33,697	12,516	21,181
Gifts and Donations	20,801	2,918	17,883
Miscellaneous	37,783	35,828	1,955
Total General Receipts	<u>13,832,520</u>	<u>12,625,217</u>	<u>1,207,303</u>
Total Receipts	<u>16,092,417</u>	<u>14,862,120</u>	<u>1,230,297</u>
Program Disbursements:			
Instruction:			
Regular	5,598,598	5,363,169	235,429
Special	1,254,951	1,143,199	111,752
Vocational	335,444	357,428	(21,984)
Support Services:			
Pupils and Instructional Staff	1,027,945	1,054,945	(27,000)
Board of Education, Administration, Fiscal and Business	2,005,390	1,755,965	249,425
Operation and Maintenance of Plant	1,812,843	1,840,816	(27,973)
Pupil Transportation	1,033,057	1,013,537	19,520
Central	85,457	314,020	(228,563)
Operation of Non-Instructional Services	723,469	680,366	43,103
Extracurricular Activities	356,459	345,886	10,573
Interest and Fiscal Charges	55,720	59,670	(3,950)
Total Disbursements	<u>14,289,333</u>	<u>13,929,001</u>	<u>\$360,332</u>
Change in Net Position	1,803,084	933,119	
Net Position at Beginning of Year	16,022,029	15,088,910	
Net Position at End of Year	<u>\$17,825,113</u>	<u>\$16,022,029</u>	

Governmental Activities

In fiscal year 2014, all categories of receipts increased, except charges for services. Income taxes increased due to continual improvement in the economy. Grants and entitlements not restricted to specific programs increased due to an increase in the State foundation monies due to a change in the fund calculation that increased funding for the School District and a decrease in open enrollment out of the School District.

Disbursements increased \$360,332 or three percent from the previous fiscal year. The increase is due to the School District giving a two percent raise plus step increases in fiscal year 2014. Additionally, disbursements for Central decreased due to the Board appointing the Superintendent as the Athletic Director.

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The School District's Funds

The School District's major funds are the General and Bond Retirement Funds and are accounted for using the modified cash basis of accounting. The General Fund accounts for approximately 77 percent of total fund balance, approximately 88 percent of total receipts and approximately 88 percent of total disbursements.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$1,261,341. The increase is a result of receipts exceeding expenditures due to an increase in the State foundation monies due to a change in the funding calculation and increased income tax collection due to an improving economy as more School District residents are being re-employed.

The Debt Service Fund accounts for approximately 13 percent of total fund balance, approximately three percent of total receipts and approximately two percent of total disbursements. The net change in fund balance for the fiscal year in the Debt Service Fund was an increase of \$164,520.

General Fund Budgeting Highlights

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

For the General Fund, the final budgeted receipts estimate was approximately \$14.4 million, a \$1.5 million increase from the original budgeted receipts. The School District had increases in intergovernmental revenue due to an increase in the Foundation settlement monies received from the State, income tax collections, and tuition and fees charges. Actual receipts were nearly equal to the final budget basis receipt estimates, with the exception of tuition and fees in which a prior year adjustment caused a variance.

During the course of the fiscal year, final appropriations increased \$930,912 or eight percent from original appropriations mainly due to increased payroll expenses, including an increase in healthcare plan premiums. Final appropriations were nearly equal to actual disbursements, except regular instruction in which a prior year adjustment caused a larger variance.

Capital Assets

Table 3 shows fiscal year 2014 balances compared to fiscal year 2013.

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

	2014	2013	Change
Land	\$247,991	\$247,991	
Land Improvements	35,076	41,552	(\$6,476)
Buildings and Improvements	5,821,553	6,140,324	(318,771)
Furniture, Fixtures, and Equipment	388,464	304,485	83,979
Vehicles	318,886	283,340	35,546
<i>Totals</i>	<u>\$6,811,970</u>	<u>\$7,017,692</u>	<u>(\$205,722)</u>

The overall decrease in capital assets was \$205,722. For more information on capital assets, see Note 7 of the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Debt Administration

At June 30, 2014, the School District had \$1,769,998 in total outstanding School Improvement Refunding General Obligation Bonds. For more information on the School District's debt, see Note 12 of the Basic Financial Statements.

Contacting the School District's Financial Management

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$12,783,141
Non-Depreciable Capital Assets	247,991
Depreciable Capital Assets, Net	6,563,979
Total Assets	<u>19,595,111</u>
Liabilities:	
Due Within One Year	225,000
Due in More Than One Year	1,544,998
Total Liabilities	<u>1,769,998</u>
Net Position:	
Net Investment in Capital Assets	5,041,972
Restricted for:	
Debt Service	1,711,881
Classroom Facilities Maintenance	874,098
District Managed Activities	9,907
Tennis Courts Replacement	368,875
Other Purposes	8,282
Set-Asides	64,830
Unrestricted	9,745,268
Total Net Position	<u><u>\$17,825,113</u></u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2014**

	<u>Program Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$5,598,598	\$294,499	\$56,208	(\$5,247,891)
Special	1,254,951	9,677	805,505	(439,769)
Vocational	335,444		75,287	(260,157)
Support Services:				
Pupils	789,376		127	(789,249)
Instructional Staff	238,569		21,523	(217,046)
Board of Education	105,702			(105,702)
Administration	1,253,238	126,924	139,013	(987,301)
Fiscal	644,509		11,422	(633,087)
Business	1,941			(1,941)
Operation and Maintenance of Plant	1,812,843			(1,812,843)
Pupil Transportation	1,033,057	375	17,527	(1,015,155)
Central	85,457		5,400	(80,057)
Operation of Non-Instructional Services	723,469	224,343	394,288	(104,838)
Extracurricular Activities	356,459	74,574	3,205	(278,680)
Interest and Fiscal Charges	55,720			(55,720)
Total Governmental Activities	<u><u>\$14,289,333</u></u>	<u><u>\$730,392</u></u>	<u><u>\$1,529,505</u></u>	<u><u>(12,029,436)</u></u>
General Receipts:				
Property Taxes Levied For:				
General Purposes				2,718,151
Debt Service				366,592
Classroom Facilities				54,998
Income Tax				3,068,528
Grants and Entitlements not Restricted to				
Specific Programs				7,531,970
Investment Earnings				33,697
Gifts and Donations				20,801
Miscellaneous				37,783
Total General Receipts				<u><u>13,832,520</u></u>
Change in Net Position				1,803,084
Net Position at Beginning of Year				<u><u>16,022,029</u></u>
Net Position at End of Year				<u><u>\$17,825,113</u></u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,745,268	\$1,711,881	\$1,261,162	\$12,718,311
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,830			64,830
Total Assets	<u>9,810,098</u>	<u>1,711,881</u>	<u>1,261,162</u>	<u>12,783,141</u>
Fund Balances:				
Restricted	64,830	1,711,881	1,261,162	3,037,873
Committed	170,500			170,500
Assigned	299,090			299,090
Unassigned	9,275,678			9,275,678
Total Fund Balances	<u>\$9,810,098</u>	<u>\$1,711,881</u>	<u>\$1,261,162</u>	<u>\$12,783,141</u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
JUNE 30, 2014**

Total Governmental Fund Balances \$12,783,141

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

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

Land	\$247,991	
Land Improvements	439,914	
Buildings and Improvements	14,817,623	
Furniture, Fixtures, and Equipment	1,653,939	
Vehicles	1,124,052	
Accumulated Depreciation	<u>(11,471,549)</u>	
Total Capital Assets		6,811,970

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

General Obligation Bonds Payable	<u>(1,769,998)</u>
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Net Position of Governmental Activities \$17,825,113

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$2,718,151	\$366,592	\$54,998	\$3,139,741
Income Tax	3,068,528			3,068,528
Tuition and Fees	304,551			304,551
Investment Earnings	33,697			33,697
Intergovernmental	7,940,024	64,165	1,054,081	9,058,270
Extracurricular Activities	26,748		73,750	100,498
Gifts and Donations	2,951		21,055	24,006
Charges for Services	101,000		224,343	325,343
Miscellaneous	36,514		1,269	37,783
Total Receipts	<u>14,232,164</u>	<u>430,757</u>	<u>1,429,496</u>	<u>16,092,417</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,403,896		62,288	5,466,184
Special	810,341		425,822	1,236,163
Vocational	318,536			318,536
Support Services:				
Pupils	788,486		127	788,613
Instructional Staff	199,212		21,451	220,663
Board of Education	105,702			105,702
Administration	1,108,891		138,693	1,247,584
Fiscal	631,487	10,517	2,040	644,044
Business	1,941			1,941
Operation and Maintenance of Plant	1,788,434		14,975	1,803,409
Pupil Transportation	1,067,377			1,067,377
Central	73,611		5,400	79,011
Operation of Non-Instructional Services	5,569		693,167	698,736
Extracurricular Activities	263,655		86,273	349,928
Debt Service:				
Principal Retirement		200,000		200,000
Interest and Fiscal Charges		55,720		55,720
Total Disbursements	<u>12,567,138</u>	<u>266,237</u>	<u>1,450,236</u>	<u>14,283,611</u>
Excess of Receipts Over (Under) Disbursements	<u>1,665,026</u>	<u>164,520</u>	<u>(20,740)</u>	<u>1,808,806</u>
Other Financing Sources (Uses):				
Advances In	125,148		456,000	581,148
Advances Out	(456,000)		(125,148)	(581,148)
Transfers In			72,833	72,833
Transfers Out	(72,833)			(72,833)
Total Other Financing Sources (Uses)	<u>(403,685)</u>		<u>403,685</u>	
Net Change in Fund Balance	1,261,341	164,520	382,945	1,808,806
Fund Balances at Beginning of Year	<u>8,548,757</u>	<u>1,547,361</u>	<u>878,217</u>	<u>10,974,335</u>
Fund Balances at End of Year	<u>\$9,810,098</u>	<u>\$1,711,881</u>	<u>\$1,261,162</u>	<u>\$12,783,141</u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$1,808,806
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as disbursements. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation disbursements. In the current period, these amounts are:	
Capital Outlay	\$235,498
Depreciation Disbursement	<u>(441,220)</u>
Excess of Depreciation Over Capital Outlay Disbursements	(205,722)
Repayment of long-term debt is a disbursement in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
General Obligation Bonds Payments	<u>200,000</u>
Change in Net Position of Governmental Activities	<u><u>\$1,803,084</u></u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,652,335	\$2,718,151	\$2,718,151	
Income Tax	2,693,783	3,068,528	3,068,528	
Tuition and Fees	89,359	503,005	304,551	(\$198,454)
Investment Earnings	14,106	28,627	28,627	
Intergovernmental	7,225,287	7,866,003	7,866,002	(1)
Extracurricular Activities	61,608	26,748	26,748	
Gifts and Donations	2,918	2,951	2,951	
Charges for Services	110,500	101,000	101,000	
Miscellaneous	31,756	35,147	35,170	23
Total Receipts	<u>12,881,652</u>	<u>14,350,160</u>	<u>14,151,728</u>	<u>(198,432)</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,971,426	5,610,495	5,412,066	198,429
Special	745,367	810,341	810,341	
Vocational	343,214	318,823	318,823	
Support Services:				
Pupils	716,511	791,486	791,486	
Instructional Staff	216,203	205,889	205,888	
Board of Education	111,450	105,702	105,702	
Administration	1,080,530	1,113,539	1,113,539	
Fiscal	625,071	632,786	632,786	
Business	2,910	1,941	1,941	
Operation and Maintenance of Plant	1,959,130	2,061,011	2,061,012	
Pupil Transportation	983,503	1,069,809	1,069,809	
Central	81,123	73,611	73,611	
Operation of Non-Instructional Services	6,601	5,569	5,569	
Extracurricular Activities	290,706	263,655	263,655	
Total Disbursements	<u>12,133,745</u>	<u>13,064,657</u>	<u>12,866,228</u>	<u>198,429</u>
Excess of Receipts Over Disbursements	<u>747,907</u>	<u>1,285,503</u>	<u>1,285,500</u>	<u>(3)</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	424	75,366	75,366	
Proceeds From Sale of Capital Assets	1,634			
Advances In	100,000	125,148	125,148	
Advances Out	(479,546)	(456,000)	(456,000)	
Transfers In	11,000			
Transfers Out	(68,068)	(72,833)	(72,833)	
Total Other Financing Sources (Uses)	<u>(434,556)</u>	<u>(328,319)</u>	<u>(328,319)</u>	
Net Change in Fund Balance	313,351	957,184	957,181	(3)
Fund Balance at Beginning of Year	8,464,542	8,464,542	8,464,542	
Prior Year Encumbrances Appropriated	85,359	85,359	85,359	
Fund Balance at End of Year	<u>\$8,863,252</u>	<u>\$9,507,085</u>	<u>\$9,507,082</u>	<u>(\$3)</u>

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust Fund	Agency Funds
Asset:		
Equity in Pooled Cash and Cash Equivalents	\$22,785	\$35,178
Net Position:		
Held in Trust for Scholarships	22,785	
Held on Behalf of Students		4,963
Held on Behalf of Employees		30,215
Total Net Position	\$22,785	\$35,178

See Accompanying Notes to the Basic Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and Contributions	\$1,601
Interest	22
Total Additions	<u>1,623</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>3,000</u>
Change in Net Position	(1,377)
Net Position at Beginning of Year	<u>24,162</u>
Net Position at End of Year	<u><u>\$22,785</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity:

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

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

The School District participates in four jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations are presented in Notes 14 and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Southwest Ohio Computer Association
- Southwest Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Preble County Professional Development Consortium

Insurance Purchasing Pools:

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

Shared Risk Pool:

- Preble County Schools Regional Council of Governments

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Preble Shawnee Local School District are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

B. Fund Accounting

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds:

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

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

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students, and two agency funds, used to account for student-managed activity programs and employee reimbursements of pretax medical premiums taken out of their payroll checks.

C. Basis of Accounting

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

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

D. Cash and Investments

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2014, the School District's investments were limited to negotiable certificates of deposits and State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2014 was \$33,697, which included \$7,568 assigned from other School District funds.

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

E. Interfund Balances

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

F. Restricted Assets

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

G. Capital Assets

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

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

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

H. Compensated Absences

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

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

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

K. Fund Balance

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

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

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

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

L. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources for federal and State grants restricted to cash disbursement for specified purposes.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

M. Internal Activity

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

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Process

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

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

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

O. Estimates

The modified cash basis of accounting used by the School District 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.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	General
Modified Cash Basis	\$1,261,341
Fair Value of Investment Fiscal Year 2013	(4,956)
Fair Value of Investment Fiscal Year 2014	(3,663)
Unrecorded Cash Fiscal Year 2013	3,812
Unrecorded Cash Fiscal Year 2014	(263)
Adjustment for Encumbrances	(299,090)
Budget Basis	\$957,181

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances, if training requirements have been met.

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

A. Investments

As of June 30, 2014, the School District had the following investments:

	Fair Value	Maturity
Negotiable Certificates of Deposit	\$4,237,663	09/22/14 to 05/30/17
STAROhio	761,013	Average 51.4 Days
Total	\$4,998,676	

B. Interest Rate Risk

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

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

5. PROPERTY TAXES

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler, Montgomery, and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$151,406,810	96.17%	\$151,786,700	96.38%
Public Utility Personal	6,021,980	3.83%	5,708,990	3.62%
Total Assessed Values	<u>\$157,428,790</u>	<u>100.00%</u>	<u>\$157,495,690</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$23.20		\$23.20	

6. INCOME TAX

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 were as follows:

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$247,991			\$247,991
Capital Assets Being Depreciated:				
Land Improvements	439,914			439,914
Buildings and Improvements	14,817,623			14,817,623
Furniture, Fixtures, and Equipment	1,520,809	146,618	(\$13,488)	1,653,939
Vehicles	1,035,172	88,880		1,124,052
Total Capital Assets Being Depreciated	<u>17,813,518</u>	<u>235,498</u>	<u>(13,488)</u>	<u>18,035,528</u>
Less Accumulated Depreciation:				
Land Improvements	(398,362)	(6,476)		(404,838)
Buildings and Improvements	(8,677,299)	(318,771)		(8,996,070)
Furniture, Fixtures, and Equipment	(1,216,324)	(62,639)	13,488	(1,265,475)
Vehicles	(751,832)	(53,334)		(805,166)
Total Accumulated Depreciation	<u>(11,043,817)</u>	<u>(441,220)</u>	<u>13,488</u>	<u>(11,471,549)</u>
Capital Assets Being Depreciated, Net	<u>6,769,701</u>	<u>(205,722)</u>		<u>6,563,979</u>
Governmental Activities Capital Assets, Net	<u>\$7,017,692</u>	<u>(\$205,722)</u>	<u>\$0</u>	<u>\$6,811,970</u>

* Depreciation disbursement was charged to governmental functions as follows:

Instruction:	
Regular	\$238,785
Special	18,788
Vocational	19,558
Support Services:	
Pupils	763
Instructional Staff	17,906
Administration	14,291
Fiscal	465
Operation and Maintenance of Plant	36,234
Pupil Transportation	54,560
Central	6,446
Operation of Non-Instructional Services	26,893
Extracurricular Activities	6,531
<i>Total Depreciation Disbursement</i>	<u>\$441,220</u>

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP, and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 14). The School District contracts for property, fleet, and liability insurance with OSP.

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

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2014, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (see Note 15). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the School District's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, and the School District is required to contribute 14.0 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.0 percent for plan members and 14.0 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14.0 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$262,841, \$285,790, and \$282,019, respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

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

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

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11.0 percent for members and 14.0 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The School District was required to contribute 14.0 percent; 13.0 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$635,114, \$641,789, and \$628,123, respectively. The full amount has been contributed for all three fiscal years.

For fiscal year 2014, contributions made to STRS Ohio for the DC Plan were \$13,101 made by the School District and \$10,293 made by the plan members. In addition, member contributions of \$13,633 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education have elected Social Security. The School District's contribution rate is 6.2 percent of wages.

10. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14.0 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$51,470, \$53,141, and \$44,549, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$15,307, \$16,206, and \$16,655, respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$48,855, \$49,368, and \$48,317, respectively. The full amount has been contributed for all three fiscal years.

11. EMPLOYEE BENEFITS

A. Compensated Absences

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. EMPLOYEE BENEFITS (Continued)

B. Life Insurance

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

C. Deferred Compensation Plan

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

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/2013	Additions	Deductions	Amount Outstanding 6/30/2014	Amounts Due in One Year
Governmental Activities:					
School Improvement Refunding Current Interest Bonds - 2010 2.0 - 3.6%	\$1,905,000		\$200,000	\$1,705,000	\$225,000
School Improvement Refunding Capital Appreciation Bonds - 2010 - 3.9%	<u>64,998</u>			<u>64,998</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$1,969,998</u>	<u>\$0</u>	<u>\$200,000</u>	<u>\$1,769,998</u>	<u>\$225,000</u>

School Improvement Refunding General Obligation Bonds

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

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

Principal and interest requirements to retire general obligation debt outstanding at fiscal year-end are as follows:

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	General Obligation Current Interest Bonds		General Obligation Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2015	\$225,000	\$51,020		
2016	225,000	44,945		
2017		41,570	\$64,998	165,002
2018	230,000	38,120		
2019	240,000	30,830		
2020-2022	785,000	42,135		
Total	<u>\$1,705,000</u>	<u>\$248,620</u>	<u>\$64,998</u>	<u>\$165,002</u>

The School District's overall legal debt margin was \$14,116,495 with an unvoted debt margin of \$157,496 at June 30, 2014.

13. INTERFUND ACTIVITY

At June 30, 2014, the General Fund made advances out of \$456,000 and received repayments of advances from Nonmajor Governmental Funds of \$125,148 during fiscal year 2014.

The General Fund made transfers to Non-major Governmental Funds in the amount of \$72,833 during fiscal year 2014. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the association including budgeting, appropriating, contracting and designation of management. Each School district's degree of control is limited to its representation on the Board. The School District paid SWOCA \$53,938 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Each member district has one voting representative. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designation of management. Each School district's degree of control is limited to its representation on the Board. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$885 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position 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 2014, the School District paid \$1,016 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank Depalma, who serves as Interim Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designation of management. Each School district's degree of control is limited to its representation on the Board. The School District paid PCPDC \$3,281 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyesc.org.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Ohio School Plan

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

15. SHARED RISK POOL

Preble County Schools Regional Council of Governments

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

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

	Budget Stabilization	Capital Improvements
Set-aside Restricted Balance as of June 30, 2013	\$64,830	
Current Fiscal Year Set-aside Requirement		\$235,642
Qualifying Disbursements		(290,621)
Current Fiscal Year Offsets		(54,998)
Totals	64,830	(\$109,977)
Set-aside Balance Carried Forward to Future Fiscal Years	64,830	\$0
Set-aside Restricted Balance as of June 30, 2014	\$64,830	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and, therefore, is not presented as being carried forward to the next fiscal year.

17. FUND BALANCES

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. FUND BALANCES (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for				
Set Asides	\$64,830			\$64,830
Debt Service Payments		\$1,711,881		1,711,881
Tennis Courts Replacement			\$368,875	368,875
Classroom Facilities Maintenance			874,098	874,098
District Managed Activities			9,907	9,907
Donations			631	631
Title VI-B			3,024	3,024
Title I			207	207
Preschool			20	20
Title II-A			4,400	4,400
Total Restricted	<u>64,830</u>	<u>1,711,881</u>	<u>1,261,162</u>	<u>3,037,873</u>
Committed to:				
Employee Reimbursements	<u>170,500</u>			<u>170,500</u>
Assigned to:				
Purchases on Order	<u>299,090</u>			<u>299,090</u>
Unassigned	<u>9,275,678</u>			<u>9,275,678</u>
Total Fund Balances	<u>\$9,810,098</u>	<u>\$1,711,881</u>	<u>\$1,261,162</u>	<u>\$12,783,141</u>

18. SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$299,090
Non-major Governmental Funds	<u>371,342</u>
Total	<u><u>\$670,432</u></u>

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

19. 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, 2014.

B. Litigation

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

20. COMPLIANCE

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

PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555		\$42,720		\$42,720
Cash Assistance:						
National School Breakfast Program	2014	10.553	\$115,669		\$115,669	
National School Lunch Program	2014	10.555	271,194		271,194	
Total Child Nutrition Cluster			386,863	42,720	386,863	42,720
Total U.S. Department of Agriculture			386,863	42,720	386,863	42,720
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2014	84.027	272,525		269,501	
	2013	84.027	32,581		37,053	
Total Special Education Grants to States			305,106		306,554	
Special Education - Preschool Grants	2014	84.173	3,343		3,320	
	2013	84.173	613		617	
			3,956		3,937	
Total Special Education Cluster			309,062		310,491	
Title I Grants to Local Educational Agencies	2014	84.010	203,181		202,972	
	2013	84.010	66,171		65,859	
Total Title I Grants to Local Educational Agencies			269,352		268,831	
Improving Teacher Quality State Grants	2014	84.367	57,271		52,868	
	2013	84.367	6,093		6,822	
Total Improving Teacher Quality State Grants			63,364		59,690	
Total U.S. Department of Education			641,778		639,012	
Total Federal Assistance			\$1,028,641	\$42,720	\$1,025,875	\$42,720

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 29, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2014



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Preble Shawnee Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Preble Shawnee Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Preble Shawnee Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2014

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

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

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

FINDING NUMBER 2014-001

Noncompliance

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

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

Officials' Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2014-001

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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
DECEMBER 9, 2014**