



Mary Taylor, CPA
Auditor of State

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio, as of June 30, 2009, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 28, 2010

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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, 2009, 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 2009 are as follows:

- In total, net assets increased \$1,409,548, which represents a 12 percent increase from fiscal year 2008.
- Unrestricted net assets increased by \$1,431,095 from \$4,569,332 to \$6,000,427 as of June 30, 2009.
- The School District had \$14,196,347 in disbursements; only \$2,040,388 of these disbursements were offset by program specific charges for services, grants, contributions, or interest.
- The General Fund had \$13,767,083 in receipts and \$12,271,412 in disbursements. The General Fund's balance increased \$1,466,551.

Using this Annual Financial Report

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

Report Components

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

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

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

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Basis of Accounting

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

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

Reporting the School District as a Whole

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2009, within the limitations of the modified cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program 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 receipts identifies how each governmental program draws from the School District's general receipts.

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

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports 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 fund. The School District's major governmental fund is the General Fund.

Governmental Funds

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

Fiduciary Funds

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008:

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 1
Net Assets

	2009	Restated 2008	Change
Assets:			
Current and Other Assets	\$7,485,988	\$5,923,344	\$1,562,644
Capital Assets	8,308,522	8,591,618	(283,096)
<i>Total Assets</i>	<u>15,794,510</u>	<u>14,514,962</u>	<u>1,279,548</u>
Liabilities:			
Long-Term Liabilities	2,660,000	2,790,000	(130,000)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,648,522	5,801,618	(153,096)
Restricted	1,485,561	1,354,012	131,549
Unrestricted	6,000,427	4,569,332	1,431,095
<i>Total Net Assets</i>	<u><u>\$13,134,510</u></u>	<u><u>\$11,724,962</u></u>	<u><u>\$1,409,548</u></u>

Current assets consisting of cash and cash equivalents increased \$1,562,644. The majority of this increase was in the General Fund due to receipts exceeding disbursements. Capital assets decreased \$283,096 caused by current fiscal year depreciation being significantly higher than additions.

Liabilities consist of the debt of the School District. The decrease is due to the School District making the required principal payments and not issuing any new debt during the fiscal year.

Invested in capital assets, net of related debt decreased due to the decrease in capital assets being higher than fiscal year 2009 debt payments. Restricted net assets increased mainly due to property taxes collected for the retirement of debt being higher than the required debt payments.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$1,431,095. The increase is due to receipts exceeding disbursements in the General Fund. Receipts have been exceeding disbursements since fiscal year 2007 when the additional three-fourth of a percent income tax began collections. Since the additional income tax collections began, unrestricted net assets have increased from \$1,315,634 at June 30, 2006 to \$6,000,427 at June 30, 2009, and have stabilized the School District's budget.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009 compared to fiscal year 2008.

Table 2
Changes in Net Assets

	2009	Restated 2008	Change
Receipts:			
Program Receipts:			
Charges for Services	\$816,844	\$898,437	(\$81,593)
Operating Grants, Contributions and Interest	1,196,939	1,440,727	(243,788)
Capital Grants and Contributions	26,605	12,871	13,734
<i>Total Program Receipts</i>	<u>2,040,388</u>	<u>2,352,035</u>	<u>(311,647)</u>
General Receipts:			
Property Taxes	3,193,098	3,265,999	(72,901)
Income Tax	3,043,799	3,183,883	(140,084)
Grants and Entitlements not Restricted to Specific Programs	7,157,850	6,953,647	204,203
Investment Earnings	111,575	243,523	(131,948)
Gifts and Donations	38,850	49,493	(10,643)
Miscellaneous	20,335	7,902	12,433
<i>Total General Receipts</i>	<u>13,565,507</u>	<u>13,704,447</u>	<u>(138,940)</u>
<i>Total Receipts</i>	<u>15,605,895</u>	<u>16,056,482</u>	<u>(450,587)</u>
Program Disbursements:			
Instruction:			
Regular	5,547,667	5,277,553	270,114
Special	1,384,715	1,522,073	(137,358)
Vocational	429,820	489,366	(59,546)
Student Intervention Services	2,322	28,996	(26,674)
Support Services:			
Pupils and Instructional Staff	1,149,520	1,040,131	109,389
Board of Education, Administration, Fiscal and Business	1,691,646	1,535,385	156,261
Operation and Maintenance of Plant	1,728,346	1,580,605	147,741
Pupil Transportation	874,531	966,535	(92,004)
Central	296,479	289,660	6,819
Operation of Non-Instructional Services	642,762	606,321	36,441
Extracurricular Activities	310,619	283,485	27,134
Capital Outlay	5,010	0	5,010
Interest and Fiscal Charges	132,910	146,616	(13,706)
<i>Total Disbursements</i>	<u>14,196,347</u>	<u>13,766,726</u>	<u>\$429,621</u>
<i>Change in Net Assets</i>	1,409,548	2,289,756	
<i>Net Assets at Beginning of Year, as Restated</i>	11,724,962	9,435,206	
<i>Net Assets at End of Year</i>	<u>\$13,134,510</u>	<u>\$11,724,962</u>	

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Activities

Property and income taxes together make up 40 percent or \$6,236,897 of total receipts of \$15,605,895. Without this tax support, disbursements would have drastically outpaced receipts and the School District could not maintain the same operations as it does currently.

Overall, receipts decreased by \$450,587 or three percent from the prior fiscal year. The major decreases were in operating grants, contributions, and interest, property and income taxes, and investment earnings. Operating grants, contributions, and interest consist of State and federal grant programs. The decrease in all of these receipts can be contributed to the current economic downturn.

Also, the timing of when receipts are received and recorded by the School District can also cause variances from year to year. The modified cash basis of accounting does not take into account any accruals and only includes what is received during the fiscal year being reported.

Disbursements increased by \$429,621 or three percent from the previous fiscal year. The increases in regular instruction, pupils and instructional staff, and board of education, administration, fiscal and business were mainly the result of increases in salaries and benefits due to pay increases. The increase in operation and maintenance of plant was the result of yearly maintenance on equipment and buildings throughout the School District, along with the increased cost of utilities.

The decrease in special instruction was mainly the result of less federal grants received during the fiscal year.

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 what is disbursed during the fiscal year being reported.

The School District's Funds

The School District's major fund is the General Fund and is accounted for using the modified cash basis of accounting. The General Fund accounts for 82 percent of total fund balance, 88 percent of total receipts and 87 percent of total disbursements.

The net change in fund balance for the fiscal year in the General Fund was \$1,466,551. The increase is a result of receipts exceeding disbursements due to the additional income tax collections that began in fiscal year 2007. Although fund balance increased, this increase is less than the fiscal year 2008 increase by 29 percent or \$617,107. Receipts actually decreased by two percent due to the sluggish economy as income tax receipts decreased from fiscal year 2008. Disbursements increased by three percent from fiscal year 2008, the result of increases in salaries and benefits.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

General Fund Budgeting Highlights

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

During the course of the fiscal year, final appropriations decreased \$506,344, or four percent from original appropriations, mainly due to the overestimate in calculating the costs associated with transportation and central disbursements. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted receipts estimate was \$13,763,389, a \$1,208,422 increase from the original budgeted receipts. The School District anticipated a major cut in State foundation receipts from the prior fiscal year, but this was not the case.

Capital Assets

Table 3 shows fiscal year 2009 balances compared to fiscal year 2008.

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

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Land	\$247,991	\$247,991	\$0
Land Improvements	67,453	73,929	(6,476)
Buildings and Improvements	7,406,869	7,713,963	(307,094)
Furniture, Fixtures, and Equipment	372,204	303,430	68,774
Vehicles	214,005	252,305	(38,300)
<i>Totals</i>	<u>\$8,308,522</u>	<u>\$8,591,618</u>	<u>(\$283,096)</u>

The overall decrease in capital assets was \$283,096. The decrease was caused by depreciation disbursements exceeding additions for the fiscal year. For more information on capital assets, see Note 13 of the Basic Financial Statements.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Debt Administration

At June 30, 2009, the School District had one school improvement debt issue. The issue was originally dated March 3, 1999. The project provided a new high school and additions to both of the School District's elementary schools. The current balance of the bonds is \$2,660,000 and is scheduled to be paid off during fiscal year 2021. For more information on the School District's debt, see Note 14 of the Basic Financial Statements.

Contacting the School District's Financial Management

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

Preble Shawnee Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,484,644
Cash and Cash Equivalents with Fiscal Agents	1,344
Non-Depreciable Capital Assets	247,991
Depreciable Capital Assets, Net	8,060,531
<i>Total Assets</i>	15,794,510
 Liabilities:	
Due Within One Year	135,000
Due in More Than One Year	2,525,000
<i>Total Liabilities</i>	2,660,000
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,648,522
Restricted for:	
Debt Service	739,517
Capital Outlay	12,677
Classroom Facilities Maintenance	430,395
District Managed Activities	63,024
Other Purposes	75,329
Set-Asides	164,619
Unrestricted	6,000,427
<i>Total Net Assets</i>	\$13,134,510

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2009

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$5,547,667	\$332,674	\$94,309	\$0	(\$5,120,684)
Special	1,384,715	6,333	632,696	0	(745,686)
Vocational	429,820	0	74,943	0	(354,877)
Student Intervention Services	2,322	0	1,209	0	(1,113)
Support Services:					
Pupils	656,225	0	1,852	0	(654,373)
Instructional Staff	493,295	0	1,431	0	(491,864)
Board of Education	52,520	0	0	0	(52,520)
Administration	1,220,727	20,896	83,543	0	(1,116,288)
Fiscal	414,815	0	41,508	0	(373,307)
Business	3,584	0	0	0	(3,584)
Operation and Maintenance of Plant	1,728,346	0	5,839	0	(1,722,507)
Pupil Transportation	874,531	75	0	26,605	(847,851)
Central	296,479	0	18,505	0	(277,974)
Operation of Non-Instructional Services	642,762	325,546	241,104	0	(76,112)
Extracurricular Activities	310,619	131,320	0	0	(179,299)
Capital Outlay	5,010	0	0	0	(5,010)
Interest and Fiscal Charges	132,910	0	0	0	(132,910)
<i>Total Governmental Activities</i>	<u>\$14,196,347</u>	<u>\$816,844</u>	<u>\$1,196,939</u>	<u>\$26,605</u>	<u>(12,155,959)</u>

General Receipts:

Property Taxes Levied For:

General Purposes	2,730,411
Debt Service	407,798
Classroom Facilities	54,889
Income Tax	3,043,799
Grants and Entitlements not Restricted to	
Specific Programs	7,157,850
Investment Earnings	111,575
Gifts and Donations	38,850
Miscellaneous	20,335
<i>Total General Receipts</i>	<u>13,565,507</u>

<i>Change in Net Assets</i>	1,409,548
<i>Net Assets at Beginning of Year - Restated (See Note 20)</i>	<u>11,724,962</u>
<i>Net Assets at End of Year</i>	<u><u>\$13,134,510</u></u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$5,996,444	\$1,323,581	\$7,320,025
Cash and Cash Equivalents with Fiscal Agents	0	1,344	1,344
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	164,619	0	164,619
<i>Total Assets</i>	<u>\$6,161,063</u>	<u>\$1,324,925</u>	<u>\$7,485,988</u>
Fund Balances:			
Reserved for Encumbrances	193,134	11,418	204,552
Reserved for Textbooks and Instructional Materials	99,789	0	99,789
Reserved for Budget Stabilization	64,830	0	64,830
Unreserved, Undesignated, Reported in:			
General Fund	5,803,310	0	5,803,310
Special Revenue Funds	0	561,313	561,313
Debt Service Fund	0	739,517	739,517
Capital Projects Funds	0	12,677	12,677
<i>Total Fund Balances</i>	<u>\$6,161,063</u>	<u>\$1,324,925</u>	<u>\$7,485,988</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Modified Cash Basis
June 30, 2009

Total Governmental Fund Balances \$7,485,988

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

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

Land	247,991	
Land Improvements	439,914	
Buildings and Improvements	14,809,841	
Furniture, Fixtures, and Equipment	1,206,693	
Vehicles	781,500	
Accumulated Depreciation	<u>(9,177,417)</u>	
Total Capital Assets		8,308,522

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

General Obligation Bonds Payable	<u>(2,660,000)</u>
----------------------------------	--------------------

Net assets of Governmental Activities \$13,134,510

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Receipts:			
Property Taxes	\$2,730,411	\$462,687	\$3,193,098
Income Tax	3,043,799	0	3,043,799
Tuition and Fees	295,000	44,082	339,082
Investment Earnings	111,575	303	111,878
Intergovernmental	7,532,338	848,753	8,381,091
Extracurricular Activities	41,002	111,214	152,216
Gifts and Donations	169	38,681	38,850
Charges for Services	0	325,546	325,546
Miscellaneous	12,789	7,546	20,335
<i>Total Receipts</i>	<u>13,767,083</u>	<u>1,838,812</u>	<u>15,605,895</u>
Disbursements:			
Current:			
Instruction:			
Regular	5,108,555	200,628	5,309,183
Special	1,029,614	336,313	1,365,927
Vocational	410,720	572	411,292
Student Intervention Services	0	2,322	2,322
Support Services:			
Pupils	651,695	3,767	655,462
Instructional Staff	471,412	2,722	474,134
Board of Education	52,520	0	52,520
Administration	1,097,918	119,333	1,217,251
Fiscal	400,842	13,973	414,815
Business	3,437	0	3,437
Operation and Maintenance of Plant	1,709,422	76,044	1,785,466
Pupil Transportation	836,282	0	836,282
Central	283,932	23,467	307,399
Operation of Non-Instructional Services	0	613,194	613,194
Extracurricular Activities	210,053	116,594	326,647
Capital Outlay	5,010	0	5,010
Debt Service:			
Principal Retirement	0	130,000	130,000
Interest and Fiscal Charges	0	132,910	132,910
<i>Total Disbursements</i>	<u>12,271,412</u>	<u>1,771,839</u>	<u>14,043,251</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,495,671</u>	<u>66,973</u>	<u>1,562,644</u>
Other Financing Sources (Uses):			
Advances In	101,268	106,733	208,001
Advances Out	(106,733)	(101,268)	(208,001)
Transfers In	0	23,655	23,655
Transfers Out	(23,655)	0	(23,655)
<i>Total Other Financing Sources (Uses)</i>	<u>(29,120)</u>	<u>29,120</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,466,551	96,093	1,562,644
<i>Fund Balances at Beginning of Year</i>	<u>4,694,512</u>	<u>1,228,832</u>	<u>5,923,344</u>
<i>Fund Balances at End of Year</i>	<u>\$6,161,063</u>	<u>\$1,324,925</u>	<u>\$7,485,988</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
 Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
 In Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$1,562,644
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*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	133,551	
Depreciation Disbursement	<u>(416,647)</u>	
Excess of Capital Outlay Under Depreciation Disbursement		(283,096)

Repayment of long-term obligations is a disbursement in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General Obligation Bonds Payable		<u>130,000</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,409,548</u></u>
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See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	
Receipts:				
Property Taxes	\$2,732,826	\$2,730,411	\$2,730,411	\$0
Income Tax	3,215,722	3,043,799	3,043,799	0
Tuition and Fees	246,819	295,000	295,000	0
Investment Earnings	185,994	112,714	114,666	1,952
Intergovernmental	6,116,598	7,532,338	7,532,338	0
Extracurricular Activities	50,398	41,002	41,002	0
Gifts and Donations	0	169	169	0
Rent	6,000	0	0	0
Miscellaneous	610	7,956	7,964	8
<i>Total Receipts</i>	12,554,967	13,763,389	13,765,349	1,960
Disbursements:				
Current:				
Instruction:				
Regular	5,194,249	5,109,330	5,109,330	0
Special	1,124,869	1,029,614	1,029,614	0
Vocational	428,965	443,857	443,857	0
Support Services:				
Pupils	692,020	653,431	653,431	0
Instructional Staff	481,017	471,412	471,412	0
Board of Education	79,288	52,520	52,520	0
Administration	1,084,788	1,098,609	1,098,609	0
Fiscal	379,352	404,182	404,182	0
Business	9,259	3,437	3,437	0
Operation and Maintenance of Plant	1,809,963	1,850,345	1,850,345	0
Pupil Transportation	984,618	847,614	847,614	0
Central	475,192	285,132	285,132	0
Operation of Non-Instructional Services	1,900	0	0	0
Extracurricular Activities	214,838	210,053	210,053	0
Capital Outlay	10,572	5,010	5,010	0
<i>Total Disbursements</i>	12,970,890	12,464,546	12,464,546	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(415,923)	1,298,843	1,300,803	1,960
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	6,633	4,825	4,825	0
Advances In	46,486	101,268	101,268	0
Advances Out	(106,733)	(106,733)	(106,733)	0
Transfers In	546,786	0	0	0
Transfers Out	(632,598)	(23,655)	(23,655)	0
<i>Total Other Financing Sources (Uses)</i>	(139,426)	(24,295)	(24,295)	0
<i>Net Change in Fund Balance</i>	(555,349)	1,274,548	1,276,508	1,960
<i>Fund Balance at Beginning of Year</i>	4,458,251	4,458,251	4,458,251	0
<i>Prior Year Encumbrances Appropriated</i>	235,711	235,711	235,711	0
<i>Fund Balance at End of Year</i>	\$4,138,613	\$5,968,510	\$5,970,470	\$1,960

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Fiduciary Assets and Liabilities - Modified Cash Basis
Agency Funds
June 30, 2009

	<u>Agency</u>
Asset:	
Equity in Pooled Cash and Cash Equivalents	\$28,669
	<u><u> </u></u>
Liabilities:	
Undistributed Monies	\$4,251
Due to Students	24,418
<i>Total Liabilities</i>	<u><u> </u></u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity:

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

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds:

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

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

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

Fiduciary Fund:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an Agency Fund. The School District's Agency Fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as “Cash and Cash Equivalents with Fiscal Agents” and represents deposits.

During fiscal year 2009, the School District’s investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2009 were \$111,575, which included \$21,017 assigned from other School District funds.

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

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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the purchase of textbooks and instructional materials and for budget stabilization.

G. Capital Assets and Depreciation

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. Net Assets

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and instructional materials, and budget stabilization.

K. Interfund Receivables/Payables

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

L. Long-Term Obligations

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

M. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

N. Estimates

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 3 - COMPLIANCE

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis), and unrecorded cash, which represents amounts received and spent but not included on the budget basis operating statement.

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Modified Cash Basis	\$1,466,551
Unrecorded Cash Fiscal Year 2008	550
Unrecorded Cash Fiscal Year 2009	2,541
Adjustment for Encumbrances	<u>(193,134)</u>
Budget Basis	<u><u>\$1,276,508</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2009, the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$7,307,233</u>	Average 58.1 Days

Interest Rate Risk

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

Credit Risk

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the School District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, 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.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Butler, Montgomery, and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$144,514,950	94.17%	\$155,356,480	96.99%
Public Utility Personal	4,847,390	3.16%	4,827,830	3.01%
General Business Personal	4,095,779	2.67%	0	0.00%
<i>Total Assessed Values</i>	<u>\$153,458,119</u>	<u>100.00%</u>	<u>\$160,184,310</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$26.07		\$26.07	

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 7 - INCOME TAX

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

NOTE 8 - INTERFUND ACTIVITY

At June 30, 2009, the General Fund had an unpaid interfund cash advance, in the amount of \$5,465, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$101,268, for short-term loans made during fiscal year 2009.

The General Fund had transfers out to Other Governmental Funds in the amount of \$23,655 during fiscal year 2009. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

NOTE 9 - 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 2009, the School District, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for property, fleet, and liability insurance with OSP.

Insurance coverage provided includes the following:

Building and Contents – Replacement Cost (\$1,000 deductible)	\$30,731,857
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
Educational General Liability	
Bodily Injury and Property Damage	
Per Occurrence	2,000,000
Sexual Abuse Injury	
Per Occurrence	2,000,000

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 - RISK MANAGEMENT (continued)

Personal and Advertising Injury	
Per Occurrence	\$2,000,000
Fire Damage Limit	500,000
Loss of Electronic Data Limit	50,000
Medical Expense	
Per Person	10,000
Per Occurrence	10,000
General Aggregate Limit	4,000,000
Products Completed Operations Limit	2,000,000
Employers' Liability and Stop Gap Endorsement	
Bodily Injury By Accident	
Per Occurrence	2,000,000
Bodily Injury By Disease	
Per Employee	2,000,000
Aggregate	2,000,000
Fiduciary Liability Coverage (\$2,500 deductible)	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Educational Legal Liability Coverage From	
Errors and Omissions Injury Limit (\$2,500 deductible)	2,000,000
Aggregate	4,000,000
Employment Practices Injury Limit (\$2,500 deductible)	2,000,000
Aggregate	4,000,000

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

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP tier. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 - RISK MANAGEMENT (continued)

C. Employee Medical Benefits

For fiscal year 2009, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 17). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$157,636, \$158,848 and \$169,948 respectively; 100 percent has been contributed for all three fiscal years.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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 plan. 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 may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 times 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 DC Plan and the DB 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$732,316, \$668,466, and \$652,627, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2009 are not available.

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, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined 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 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 obligations 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 is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 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 2009, this amount was \$35,800.

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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$113,134, \$98,674, and \$76,826, respectively; 100 percent 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 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,006, \$11,445, and \$10,821, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to 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. 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 may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$56,332, \$51,420, and \$50,202, respectively; 100 percent has been contributed for all three fiscal years.

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$247,991	\$0	\$0	\$247,991
Capital Assets, Being Depreciated:				
Land Improvements	442,514	0	(2,600)	439,914
Buildings and Improvements	14,799,841	10,000	0	14,809,841
Furniture, Fixtures, and Equipment	1,153,292	117,551	(64,150)	1,206,693
Vehicles	775,500	6,000	0	781,500
<i>Total Capital Assets, Being Depreciated</i>	<u>17,171,147</u>	<u>133,551</u>	<u>(66,750)</u>	<u>17,237,948</u>
Less Accumulated Depreciation:				
Land Improvements	(368,585)	(6,476)	2,600	(372,461)
Buildings and Improvements	(7,085,878)	(317,094)	0	(7,402,972)
Furniture, Fixtures, and Equipment	(849,862)	(48,777)	64,150	(834,489)
Vehicles	(523,195)	(44,300)	0	(567,495)
<i>Total Accumulated Depreciation</i>	<u>(8,827,520)</u>	<u>(416,647) *</u>	<u>66,750</u>	<u>(9,177,417)</u>
 <i>Capital Assets, Being Depreciated, Net</i>	 <u>8,343,627</u>	 <u>(283,096)</u>	 <u>0</u>	 <u>8,060,531</u>
 <i>Governmental Activities Capital Assets, Net</i>	 <u>\$8,591,618</u>	 <u>(\$283,096)</u>	 <u>\$0</u>	 <u>\$8,308,522</u>

* Depreciation disbursement was charged to governmental functions as follows:

Instruction:	
Regular	\$252,538
Special	18,788
Vocational	18,528
Support Services:	
Pupils	763
Instructional Staff	19,161
Administration	3,476
Business	147
Operation and Maintenance of Plant	18,568
Pupil Transportation	44,249
Central	1,174
Operation of Non-Instructional Services	29,568
Extracurricular Activities	9,687
<i>Total Depreciation Disbursement</i>	<u>\$416,647</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Outstanding 6/30/2008	Additions	Deductions	Outstanding 6/30/2009	Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
School Improvement					
1999 5.00%	\$2,790,000	\$0	\$130,000	\$2,660,000	\$135,000

School Improvement General Obligation Bonds

On March 3, 1999, Preble Shawnee Local School District issued \$3,692,900 in voted general obligation bonds for the purpose of additions and improvements to the school buildings in the School District. The bonds were issued for a 22 year period with final maturity at December 1, 2021. The debt will be retired from the Bond Retirement Fund.

The School District's overall legal debt margin was \$12,401,668 with an unvoted debt margin of \$159,139 at June 30, 2009.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$135,000	\$127,145	\$262,145
2011	145,000	120,731	265,731
2012	155,000	113,606	268,606
2013	165,000	106,006	271,006
2014	175,000	97,931	272,931
2015-2019	1,070,000	343,513	1,413,513
2020-2022	815,000	62,875	877,875
<i>Total</i>	\$2,660,000	\$971,807	\$3,631,807

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$22,935 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.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2009, the School District paid \$893 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.

C. Southwestern Ohio Instructional Technology Association

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2009, the School District paid \$1,087 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 16 - INSURANCE PURCHASING POOLS

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

B. 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 treasurer. The OSP has an agreement with Hylant Administrative 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 17 - SHARED RISK POOL

Preble County Schools Regional Council of Governments

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

NOTE 18 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and instructional materials and an equal amount 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 budget stabilization, textbooks and instructional materials, and capital improvements. Disclosure of this information is required by State statute.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 18 - SET-ASIDE CALCULATIONS (continued)

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2008	\$64,830	\$73,534	\$0
Current Fiscal Year Set-aside Requirement	0	234,974	234,974
Qualifying Disbursements	0	(208,719)	(212,961)
Current Fiscal Year Offsets	0	0	(54,399)
<i>Totals</i>	<u>\$64,830</u>	<u>\$99,789</u>	<u>(\$32,386)</u>
<i>Set-aside Balance Carried Forward to Future Fiscal Years</i>	<u>\$64,830</u>	<u>\$99,789</u>	<u>\$0</u>
<i>Set-aside Reserve Balance as of June 30, 2009</i>	<u>\$64,830</u>	<u>\$99,789</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount of offsets may not be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$164,619.

NOTE 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, 2009.

B. Litigation

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 20 - CORRECTION OF AN ERROR

During fiscal year 2009, errors in the prior fiscal year calculation of capital assets were discovered. The restatement had the following effect on net assets at June 30, 2008 as previously reported.

	Net Assets
Net Assets, June 30, 2008	\$11,677,896
Capital Assets	47,066
<i>Net Assets, June 30, 2008, as Restated</i>	<u><u>\$11,724,962</u></u>

NOTE 21 – SUBSEQUENT EVENT

The School District refinanced general obligation bonds on August 15, 2009. The principal outstanding for these bonds was \$2,660,000 at June 30, 2009. The refinancing was not to exceed \$2,525,000.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	2009	10.553	\$ 39,781		\$ 39,781	
National School Lunch Program	2009	10.555	<u>194,502</u>	<u>\$ 132,512</u>	<u>194,502</u>	<u>\$ 132,512</u>
Total Nutrition Cluster			<u>234,283</u>	<u>132,512</u>	<u>234,283</u>	<u>132,512</u>
Total U.S. Department of Agriculture			234,283	132,512	234,283	132,512
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	2009	84.010	125,342		129,970	
	2008				<u>39,456</u>	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>125,342</u>		<u>169,426</u>	
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	2009	84.027	244,107		234,033	
Special Education: Preschool Grant	2009	84.173	<u>6,459</u>		<u>6,255</u>	
Total Special Education Cluster			<u>250,566</u>		<u>240,288</u>	
Safe and Drug Free Schools and Communities	2009	84.186	3,956		3,548	
	2008				<u>4,500</u>	
Total Safe and Drug Free Schools and Communities			<u>3,956</u>		<u>8,048</u>	
Innovative Education Program Strategy	2009	84.298	1,084		1,081	
Title II-D: Technology Literacy Challenge Grant	2009	84.318	1,384		1,200	
Title II-A: Improving Teacher Quality	2009	84.367	59,986		60,823	
	2008				<u>9,818</u>	
Total II-A: Improving Teacher Quality			<u>59,986</u>		<u>70,641</u>	
<i>Total Passed Through Ohio Department of Education</i>			<u>442,318</u>		<u>490,684</u>	
Total U.S. Department of Education			<u>442,318</u>		<u>490,684</u>	
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u>						
<i>Passed Through Ohio Department of Public Safety:</i>						
Public Assistance Grant Program	2009	97.036	5,879		5,879	
<i>Total Passed Through Ohio Department of Public Safety</i>			<u>5,879</u>		<u>5,879</u>	
Total U.S. Department of Federal Emergency Management Assistance			<u>5,879</u>		<u>5,879</u>	
Total			<u>\$ 682,480</u>	<u>\$ 132,512</u>	<u>\$ 730,846</u>	<u>\$ 132,512</u>

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports 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

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The government reports commodities consumed on the Schedule at the fair value.

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Preble Shawnee Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 28, 2010, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain internal control matters that we reported to the School District's management in a separate letter dated January 28, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 28, 2010.

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

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



Mary Taylor, CPA
Auditor of State

January 28, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Preble Shawnee Local School District, Preble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Preble Shawnee Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

January 28, 2010

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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 other 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 other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: National School Breakfast Program, CFDA# 10.553; National School Lunch Program CFDA# 10.555
<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 2009-001

Noncompliance

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

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

Officials' Response:

A couple of 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, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Re-issued as Finding 2009-001
2008-002	Ohio Rev. Code Section 9.38, failure to timely deposit monies	No	Partially corrected – Re-issued as management letter citation

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code, Section 117.53, states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Preble Shawnee Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 28, 2010



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 18, 2010