



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, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, Ohio, as of June 30, 2010, and the respective changes in modified cash financial position and the respective budgetary comparison for the General 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 October 7, 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 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 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

October 7, 2010

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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, 2010, 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 2010 are as follows:

- The School District had increases to salaries through a base pay increase during the fiscal year.
- During 2010, income tax receipts for the School District declined due to the down turn in the economy.
- During 2010, the School District received both fiscal stabilization monies and ARRA grants.
- The School District also refunded bonds in fiscal year 2010 that resulted in a decrease in total debt service of \$199,882.

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, 2010

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 2010, 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, 2010

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 funds are the General and Bond Retirement Funds.

Governmental Funds

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

Fiduciary Funds

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009:

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Table 1
Net Assets

	2010	Restated 2009	Change
Assets:			
Current and Other Assets	\$8,676,919	\$7,467,726	\$1,209,193
Capital Assets	7,914,659	8,321,325	(406,666)
<i>Total Assets</i>	<u>16,591,578</u>	<u>15,789,051</u>	<u>802,527</u>
Liabilities:			
Long-Term Liabilities	2,524,998	2,660,000	(135,002)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,389,661	5,661,325	(271,664)
Restricted	1,797,671	1,467,299	330,372
Unrestricted	6,879,248	6,000,427	878,821
<i>Total Net Assets</i>	<u>\$14,066,580</u>	<u>\$13,129,051</u>	<u>\$937,529</u>

Current assets consisting of cash and cash equivalents increased \$1.2 million. The majority of this increase is a direct result of the additional three-fourths percent income tax the School District began collecting in fiscal year 2007. Capital assets decreased \$.4 million 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.

Invested in capital assets, net of related debt decreased due to the decrease in capital assets being higher than fiscal year 2010 debt payments. Restricted net assets increase mainly due to property taxes collected for the retirement of debt being higher than the required debt payments.

Unrestricted net assets increased for the third year in a row, a direct result of the additional three-fourths percent income tax the School District began collecting during fiscal year 2007. Prior to the passage of the additional income tax, unrestricted assets decreased to \$2.5 million.

Since collections began, the School District has increased unrestricted net assets to \$6.8 million, which equals 47 percent of fiscal year 2010's total disbursements and has stabilized the School District's budget and has kept the School District from making massive cuts. While the School District has enjoyed a steady increase, this may not be the case as the following table shows that income tax collections may have topped out in fiscal year 2009 and collections actually decreased from fiscal year 2009 to fiscal year 2010.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010 compared to fiscal year 2009.

Table 2
Changes in Net Assets

	2010	Restated 2009	Change
Receipts:			
Program Receipts:			
Charges for Services	\$792,245	\$816,844	(\$24,599)
Operating Grants, Contributions and Interest	1,928,508	1,196,939	731,569
Capital Grants and Contributions	0	26,605	(26,605)
<i>Total Program Receipts</i>	<u>2,720,753</u>	<u>2,040,388</u>	<u>680,365</u>
General Receipts:			
Property Taxes	3,372,219	3,193,098	179,121
Income Tax	2,541,153	3,043,799	(502,646)
Grants and Entitlements not Restricted to Specific Programs	6,734,259	7,157,850	(423,591)
Investment Earnings	28,566	111,575	(83,009)
Gifts and Donations	21,449	38,850	(17,401)
Premium on Refunding Bonds Issued	108,644	0	108,644
Miscellaneous	16,993	20,335	(3,342)
<i>Total General Receipts</i>	<u>12,823,283</u>	<u>13,565,507</u>	<u>(742,224)</u>
<i>Total Receipts</i>	<u>15,544,036</u>	<u>15,605,895</u>	<u>(61,859)</u>
Program Disbursements:			
Instruction:			
Regular	5,732,141	5,552,677	179,464
Special	1,410,137	1,384,715	25,422
Vocational	394,428	429,820	(35,392)
Student Intervention Services	0	2,322	(2,322)
Support Services:			
Pupils and Instructional Staff	1,224,615	1,149,520	75,095
Board of Education, Administration, Fiscal and Business	1,760,527	1,691,646	68,881
Operation and Maintenance of Plant	1,755,229	1,728,346	26,883
Pupil Transportation Central	887,422	874,531	12,891
	275,333	296,479	(21,146)
Operation of Non-Instructional Services	646,329	642,762	3,567
Extracurricular Activities	300,383	310,619	(10,236)
Interest and Fiscal Charges	162,296	132,910	29,386
Issuance Costs	57,667	0	57,667
<i>Total Disbursements</i>	<u>14,606,507</u>	<u>14,196,347</u>	<u>\$410,160</u>
<i>Change in Net Assets</i>	937,529	1,409,548	
<i>Net Assets at Beginning of Year Restated</i>	13,129,051	11,719,503	
<i>Net Assets at End of Year</i>	<u>\$14,066,580</u>	<u>\$13,129,051</u>	

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Governmental Activities

In total, receipts decreased due to decreases in income tax receipts and State funding. Due to the poor economy, many businesses have reduced their work staff which has reduced the amount of income tax collected by the School District. State funding through foundation, as well as grants, has been reduced due to the poor economy.

Disbursements increased \$.4 million or three percent from the previous fiscal year. The School District raised the base salary and rates for all employees by three percent 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 funds are the General and Bond Retirement Funds and are accounted for using the modified cash basis of accounting. The General Fund accounts for 81 percent of total fund balance, 84 percent of total receipts and 84 percent of total disbursements.

The net change in fund balance for the fiscal year in the General Fund was \$.9 million. The increase is a result of the additional income tax collections since the 2007 rate increase. Although fund balance increased, this increase is less than the fiscal year 2009 increase by 40 percent or \$.5 million. Receipts actually decreased by six percent due to the sluggish economy as income tax receipts decreased from fiscal year 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 \$2.1 million or 14 percent from original appropriations mainly due to the movement of General Fund paid utilities to the Fiscal Stabilization Fund.

For the General Fund, the final budgeted receipts estimate was \$12.9 million, a \$.9 million increase from the original budgeted receipts. The School District anticipated less property tax receipts, but this was not the case.

Preble Shawnee Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Capital Assets

Table 3 shows fiscal year 2010 balances compared to fiscal year 2009.

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

	2010	2009	Change
Land	\$247,991	\$247,991	\$0
Land Improvements	60,977	67,453	(6,476)
Buildings and Improvements	7,094,643	7,406,869	(312,226)
Furniture, Fixtures, and Equipment	341,909	385,007	(43,098)
Vehicles	169,139	214,005	(44,866)
<i>Totals</i>	<u>\$7,914,659</u>	<u>\$8,321,325</u>	<u>(\$406,666)</u>

The overall decrease in capital assets was \$.4 million. For more information on capital assets, see Note 13 of the Basic Financial Statements.

Debt Administration

At June 30, 2010, the School District had \$2,524,998 in total outstanding School Improvement Refunding General Obligation Bonds. For more information on the School District's debt, see Note 14 of the Basic Financial Statements.

Contacting the School District's Financial Management

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

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Preble Shawnee Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,676,919
Non-Depreciable Capital Assets	247,991
Depreciable Capital Assets, Net	7,666,668
<i>Total Assets</i>	16,591,578
 Liabilities:	
Due Within One Year	170,000
Due in More Than One Year	2,354,998
<i>Total Liabilities</i>	2,524,998
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,389,661
Restricted for:	
Debt Service	982,553
Capital Outlay	14,677
Classroom Facilities Maintenance	527,469
District Managed Activities	76,810
Other Purposes	28,473
Set-Asides	167,689
Unrestricted	6,879,248
<i>Total Net Assets</i>	\$14,066,580

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, 2010

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,732,141	\$328,638	\$85,175	(\$5,318,328)
Special	1,410,137	17,650	830,446	(562,041)
Vocational	394,428	0	74,727	(319,701)
Support Services:				
Pupils	705,722	0	10,831	(694,891)
Instructional Staff	518,893	0	8,566	(510,327)
Board of Education	23,405	0	0	(23,405)
Administration	1,317,921	25,688	178,953	(1,113,280)
Fiscal	414,655	0	42,645	(372,010)
Business	4,546	0	0	(4,546)
Operation and Maintenance of Plant	1,755,229	0	310,634	(1,444,595)
Pupil Transportation	887,422	49	97,387	(789,986)
Central	275,333	0	18,971	(256,362)
Operation of Non-Instructional Services	646,329	297,858	270,173	(78,298)
Extracurricular Activities	300,383	122,362	0	(178,021)
Interest and Fiscal Charges	162,296	0	0	(162,296)
Issuance Costs	57,667	0	0	(57,667)
<i>Total Governmental Activities</i>	<u>\$14,606,507</u>	<u>\$792,245</u>	<u>\$1,928,508</u>	<u>(11,885,754)</u>
General Receipts:				
Property Taxes Levied For:				
General Purposes				2,884,522
Debt Service				431,230
Classroom Facilities				56,467
Income Tax				2,541,153
Grants and Entitlements not Restricted to				
Specific Programs				6,734,259
Investment Earnings				28,566
Gifts and Donations				21,449
Premium on Refunding Bonds Issued				108,644
Miscellaneous				16,993
<i>Total General Receipts</i>				<u>12,823,283</u>
<i>Change in Net Assets</i>				937,529
<i>Net Assets at Beginning of Year - Restated (See Note 20)</i>				
				<u>13,129,051</u>
<i>Net Assets at End of Year</i>				
				<u>\$14,066,580</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,876,011	\$982,553	\$650,666	\$8,509,230
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	167,689	0	0	167,689
<i>Total Assets</i>	<u>\$7,043,700</u>	<u>\$982,553</u>	<u>\$650,666</u>	<u>\$8,676,919</u>
Fund Balances:				
Reserved for Encumbrances	141,332	0	62,238	203,570
Reserved for Textbooks and Instructional Materials	102,859	0	0	102,859
Reserved for Budget Stabilization	64,830	0	0	64,830
Unreserved, Undesignated, Reported in:				
General Fund	6,734,679	0	0	6,734,679
Special Revenue Funds	0	0	588,428	588,428
Debt Service Fund	0	982,553	0	982,553
<i>Total Fund Balances</i>	<u>\$7,043,700</u>	<u>\$982,553</u>	<u>\$650,666</u>	<u>\$8,676,919</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, 2010

Total Governmental Fund Balances	\$8,676,919
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*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	14,814,941	
Furniture, Fixtures, and Equipment	1,417,188	
Vehicles	781,500	
Accumulated Depreciation	<u>(9,786,875)</u>	
Total Capital Assets		7,914,659

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>(2,524,998)</u>
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<i>Net assets of Governmental Activities</i>	<u><u>\$14,066,580</u></u>
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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, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$2,884,522	\$431,230	\$56,467	\$3,372,219
Income Tax	2,541,153	0	0	2,541,153
Tuition and Fees	287,969	0	58,368	346,337
Investment Earnings	28,566	0	5	28,571
Intergovernmental	7,125,587	70,298	1,466,877	8,662,762
Extracurricular Activities	38,311	0	109,739	148,050
Gifts and Donations	8,625	0	12,824	21,449
Charges for Services	0	0	297,858	297,858
Miscellaneous	10,745	0	6,248	16,993
<i>Total Receipts</i>	<u>12,925,478</u>	<u>501,528</u>	<u>2,008,386</u>	<u>15,435,392</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,328,503	0	157,292	5,485,795
Special	927,866	0	463,483	1,391,349
Vocational	373,691	0	2,376	376,067
Support Services:				
Pupils	691,224	0	13,735	704,959
Instructional Staff	491,377	0	8,355	499,732
Board of Education	23,405	0	0	23,405
Administration	1,102,625	0	217,631	1,320,256
Fiscal	400,446	12,171	2,038	414,655
Business	4,546	0	0	4,546
Operation and Maintenance of Plant	1,398,751	0	317,064	1,715,815
Pupil Transportation	781,624	0	78,972	860,596
Central	253,531	0	19,030	272,561
Operation of Non-Instructional Services	0	0	615,585	615,585
Extracurricular Activities	214,909	0	79,611	294,520
Capital Outlay	37	0	0	37
Debt Service:				
Principal Retirement	0	135,000	0	135,000
Interest and Fiscal Charges	0	112,276	0	112,276
Issuance Costs	0	57,667	0	57,667
<i>Total Disbursements</i>	<u>11,992,535</u>	<u>317,114</u>	<u>1,975,172</u>	<u>14,284,821</u>
<i>Excess of Receipts Over Disbursements</i>	<u>932,943</u>	<u>184,414</u>	<u>33,214</u>	<u>1,150,571</u>
Other Financing Sources (Uses):				
Refunding Bonds Issued	0	2,524,998	0	2,524,998
Premium on Refunding Bonds Issued	0	108,644	0	108,644
Payment to Refunded Bond Escrow Agent	0	(2,575,020)	0	(2,575,020)
Advances In	120,465	0	134,928	255,393
Advances Out	(134,928)	0	(120,465)	(255,393)
Transfers In	0	0	35,843	35,843
Transfers Out	(35,843)	0	0	(35,843)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,306)</u>	<u>58,622</u>	<u>50,306</u>	<u>58,622</u>
<i>Net Change in Fund Balance</i>	882,637	243,036	83,520	1,209,193
<i>Fund Balances at Beginning of Year - Restatement</i> (See Note 20)				
	<u>6,161,063</u>	<u>739,517</u>	<u>567,146</u>	<u>7,467,726</u>
<i>Fund Balances at End of Year</i>	<u>\$7,043,700</u>	<u>\$982,553</u>	<u>\$650,666</u>	<u>\$8,676,919</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, 2010

Net Change in Fund Balances - Total Governmental Funds \$1,209,193

*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	21,957	
Depreciation Disbursement	<u>(428,623)</u>	
Excess of Capital Outlay Under Depreciation Disbursement		(406,666)

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Assets, the debt is reported as a liability.

Proceeds of Refunding Bonds		(2,524,998)
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Repayment of long-term debt is a disbursement in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General Obligation Bonds Payments	135,000	
Payment to Refunded Bond Escrow Agent	<u>2,525,000</u>	
		<u>2,660,000</u>

Change in Net Assets of Governmental Activities \$937,529

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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,184,329	\$2,884,522	\$2,884,522	\$0
Income Tax	2,435,039	2,541,153	2,541,153	0
Tuition and Fees	281,128	287,969	287,969	0
Investment Earnings	89,031	24,818	24,818	0
Intergovernmental	6,968,232	7,125,587	7,125,587	0
Extracurricular Activities	32,802	38,311	38,311	0
Gifts and Donations	0	8,625	8,625	0
Miscellaneous	482	9,056	9,082	26
<i>Total Receipts</i>	<u>11,991,043</u>	<u>12,920,041</u>	<u>12,920,067</u>	<u>26</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,975,440	5,305,338	5,305,338	0
Special	1,307,319	927,866	927,866	0
Vocational	470,133	401,528	401,528	0
Other	4,759	24,152	24,152	0
Support Services:				
Pupils	799,122	691,224	691,224	0
Instructional Staff	527,978	491,602	491,602	0
Board of Education	34,422	24,382	24,382	0
Administration	1,301,731	1,173,935	1,173,935	0
Fiscal	444,291	400,446	400,446	0
Business	5,139	4,546	4,546	0
Operation and Maintenance of Plant	1,801,528	1,425,434	1,425,434	0
Pupil Transportation	999,842	789,164	789,164	0
Central	311,640	253,531	253,531	0
Extracurricular Activities	203,050	220,682	220,682	0
Capital Outlay	4,037	37	37	0
<i>Total Disbursements</i>	<u>14,190,431</u>	<u>12,133,867</u>	<u>12,133,867</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,199,388)</u>	<u>786,174</u>	<u>786,200</u>	<u>26</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	3,578	1,663	1,663	0
Advances In	81,014	120,465	120,465	0
Advances Out	(115,000)	(134,928)	(134,928)	0
Transfers In	487,488	0	0	0
Transfers Out	(506,079)	(35,843)	(35,843)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(48,999)</u>	<u>(48,643)</u>	<u>(48,643)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,248,387)</u>	<u>737,531</u>	<u>737,557</u>	<u>26</u>
<i>Fund Balance at Beginning of Year</i>	5,970,470	5,970,470	5,970,470	0
<i>Prior Year Encumbrances Appropriated</i>	193,134	193,134	193,134	0
<i>Fund Balance at End of Year</i>	<u>\$3,915,217</u>	<u>\$6,901,135</u>	<u>\$6,901,161</u>	<u>\$26</u>

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Fiduciary Assets and Liabilities - Modified Cash Basis
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Asset:		
Equity in Pooled Cash and Cash Equivalents	\$17,699	\$30,255
Liabilities:		
Undistributed Monies	0	\$4,415
Due to Students	0	25,840
<i>Total Liabilities</i>	0	\$30,255
Net Assets:		
Held in Trust for Scholarships	\$17,699	
<i>Total Net Assets</i>		

See Accompanying Notes to the Basic Financial Statements

Preble Shawnee Local School District
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$3,660
Deductions:	
Payments in Accordance with Trust Agreements	4,223
<i>Change in Net Assets</i>	(563)
<i>Net Assets at Beginning of Year - Restated (see Note 20)</i>	18,262
<i>Net Assets at End of Year</i>	\$17,699

See Accompanying Notes to the Basic Financial Statements

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Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010

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, 2010

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. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds:

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

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

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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.

During fiscal year 2010, 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, 2010.

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 2010 were \$28,566, which included \$5,254 assigned from other School District funds.

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions 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.

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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Assets

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

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. Payments for interfund services provided and used are not eliminated.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	<u>General</u>
Modified Cash Basis	\$882,637
Unrecorded Cash Fiscal Year 2010	(1,207)
Unrecorded Cash Fiscal Year 2009	(2,541)
Adjustment for Encumbrances	<u>(141,332)</u>
Budget Basis	<u><u>\$737,557</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.

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;

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

Investments

As of June 30, 2010, the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$310,948</u>	Average 56 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in calendar year 2010 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 2010 (other than public utility property tax) represents the collection of 2010 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 Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - PROPERTY TAXES (continued)

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, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$155,356,480	96.99%	\$156,479,810	97.13%
Public Utility Personal	4,827,830	3.01%	4,630,710	2.87%
<i>Total Assessed Values</i>	<u>\$160,184,310</u>	<u>100.00%</u>	<u>\$161,110,520</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$26.07		\$26.07	

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, 2010, the General Fund had an unpaid interfund cash advance, in the amount of \$19,929, 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 \$115,000, for short-term loans made during fiscal year 2010 and \$5,465 for short-term loans made during fiscal year 2009.

The General Fund had transfers out to Other Governmental Funds in the amount of \$35,843 during fiscal year 2010. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010, the School District, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for property, fleet, and liability insurance with OSP.

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

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2010, 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010, 12.78 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, 2010, 2009 and 2008 were \$286,945, \$157,636, and \$158,848, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2010, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$775,459, \$732,316, and \$668,466, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2010 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, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 – POST-EMPLOYMENT 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 2010, 0.46 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 (the latest information available), 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.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$55,233, \$113,134, and \$98,674, 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 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$17,064, \$13,006, and \$11,445, 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, 2010

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

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 2010, 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, 2010, 2009, and 2008 were \$59,651, \$56,332, and \$51,420, 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.

B. Deferred Compensation Plan

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Restated Balance 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</u>
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$247,991	\$0	\$0	\$247,991
Capital Assets, Being Depreciated:				
Land Improvements	439,914	0	0	439,914
Buildings and Improvements	14,809,841	5,100	0	14,814,941
Furniture, Fixtures, and Equipment	1,400,331	16,857	0	1,417,188
Vehicles	781,500	0	0	781,500
<i>Total Capital Assets, Being Depreciated</i>	<u>17,431,586</u>	<u>21,957</u>	<u>0</u>	<u>17,453,543</u>
Less Accumulated Depreciation:				
Land Improvements	(372,461)	(6,476)	0	(378,937)
Buildings and Improvements	(7,402,972)	(317,326)	0	(7,720,298)
Furniture, Fixtures, and Equipment	(1,015,324)	(59,955)	0	(1,075,279)
Vehicles	(567,495)	(44,866)	0	(612,361)
<i>Total Accumulated Depreciation</i>	<u>(9,358,252)</u>	<u>(428,623) *</u>	<u>0</u>	<u>(9,786,875)</u>
 <i>Capital Assets, Being Depreciated, Net</i>	 <u>8,073,334</u>	 <u>(406,666)</u>	 <u>0</u>	 <u>7,666,668</u>
 <i>Governmental Activities Capital Assets, Net</i>	 <u>\$8,321,325</u>	 <u>(\$406,666)</u>	 <u>\$0</u>	 <u>\$7,914,659</u>

* Depreciation disbursement was charged to governmental functions as follows:

Instruction:	
Regular	\$246,346
Special	18,788
Vocational	18,361
Support Services:	
Pupils	763
Instructional Staff	19,161
Administration	3,398
Operation and Maintenance of Plant	39,414
Pupil Transportation	43,013
Central	2,772
Operation of Non-Instructional Services	30,744
Extracurricular Activities	5,863
<i>Total Depreciation Disbursement</i>	<u>\$428,623</u>

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/2009	Additions	Deductions	Amount Outstanding 6/30/2010	Amounts Due in One Year
<u>Governmental Activities:</u>					
School Improvement Bonds					
1999 5.00%	\$2,660,000	\$0	\$2,660,000	\$0	\$0
School Improvement Refunding					
Current Interest Bonds - 2010					
2.0 - 3.6%	0	2,460,000	0	2,460,000	170,000
School Improvement Refunding					
Capital Appreciation Bonds -					
2010 - 3.9%	0	64,998	0	64,998	0
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,660,000</u>	<u>\$2,524,998</u>	<u>\$2,660,000</u>	<u>\$2,524,998</u>	<u>\$170,000</u>

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. During the fiscal year, the School District paid \$135,000 of principal on the bonds and the remaining \$2,525,000 was advance refunded.

School Improvement Refunding General Obligation Bonds

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

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The refunding resulted in a difference of \$50,020 between the net carrying amount of the old debt and the acquisition price. This difference is reported as interest disbursements. Total debt service payments decreased \$199,882 as a result of the refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payment) of \$163,118.

The School District's overall legal debt margin was \$12,906,172 with an unvoted debt margin of \$160,540 at June 30, 2010.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Current Interest Bonds		General Obligation Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2011	\$170,000	\$67,120	\$0	\$0
2012	190,000	63,520	0	0
2013	195,000	59,670	0	0
2014	200,000	55,720	0	0
2015	225,000	51,020	0	0
2016-2020	945,000	178,330	64,998	165,002
2021-2022	535,000	19,270	0	0
<i>Total</i>	<u>\$2,460,000</u>	<u>\$494,650</u>	<u>\$64,998</u>	<u>\$165,002</u>

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 \$35,815 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 18 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 2010, the School District paid \$887 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.

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 2010, 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.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

NOTE 17 - SHARED RISK POOL

Preble County Schools Regional Council of Governments

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

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of			
June 30, 2009	\$64,830	\$99,789	\$0
Current Fiscal Year Set-aside Requirement	0	233,590	233,590
Qualifying Disbursements	0	(230,520)	(196,483)
Current Fiscal Year Offsets	0	0	(56,467)
<i>Totals</i>	<u>\$64,830</u>	<u>\$102,859</u>	<u>(\$19,360)</u>
<i>Set-aside Balance Carried Forward to Future Fiscal Years</i>	<u>\$64,830</u>	<u>\$102,859</u>	<u>\$0</u>
<i>Set-aside Reserve Balance as of June 30, 2010</i>	<u>\$64,830</u>	<u>\$102,859</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 \$167,689.

Preble Shawnee Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010.

B. Litigation

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

NOTE 20 – ACCOUNTING CHANGE

During fiscal year 2010, the School District changed their fund structure. The School District reclassified \$18,262 from the Faculty Special Revenue Fund to the Scholarship Private Purpose Trust Fund. Also, during fiscal year 2010, errors in the prior fiscal year calculation of capital assets were discovered. These changes resulted in the following restatement of fund balance for the Other Governmental Funds, Governmental Net Assets, and the Private Purpose Trust Fund.

	Other Governmental Funds	Governmental Net Assets	Private Purpose Trust Fund
Fund Balance/Net Assets June 30, 2009	\$585,408	\$13,134,510	\$0
Change in Fund Structure	(18,262)	(18,262)	18,262
Change in Capital Assets	0	12,803	0
<i>Fund Balance/Net Assets June 30, 2009</i>	<u>\$567,146</u>	<u>\$13,129,051</u>	<u>\$18,262</u>

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2010	10.555		\$77,619		\$77,619
Cash Assistance:						
National School Breakfast Program	2010	10.553	\$46,558		\$46,558	
National School Lunch Program	2010	10.555	216,974		216,974	
Total Child Nutrition Cluster			263,532	77,619	263,532	77,619
Total U.S. Department of Agriculture			263,532	77,619	263,532	77,619
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2010	84.027	210,099		226,146	
	2009	84.027	27,123		37,197	
ARRA - Special Education - Grants to States	2010	84.391	154,078		147,312	
Special Education - Preschool Grant	2010	84.173	3,064		3,043	
	2009	84.173	385		589	
ARRA - Special Education - Preschool Grant	2010	84.392	2,212		2,142	
Total Special Education Cluster			396,961		416,429	
Title I Grants to Local Educational Agencies	2010	84.010	154,606		151,377	
	2009	84.010	33,675		33,675	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	41,900		41,403	
Total Title I Grants to Local Educational Agencies			230,181		226,455	
Education Technology State Grants	2010	84.318	1,702		1,702	
	2009	84.318	-		184	
Total Education Technology State Grants			1,702		1,886	
Safe and Drug-Free Schools and Communities	2010	84.186	3,831		3,831	
	2009	84.186	-		408	
Total Safe and Drug-Free Schools and Communities			3,831		4,239	
Innovative Education Program Strategy	2009	84.298	-		4	
Improving Teacher Quality State Grants	2010	84.367	60,265		59,547	
	2009	84.367	10,647		10,647	
Total Improving Teacher Quality State Grants			70,912		70,194	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2010	84.394	438,619		438,619	
Total U.S. Department of Education			1,142,206		1,157,826	
TOTAL FEDERAL ASSISTANCE			\$1,405,738	\$77,619	\$1,421,358	\$77,619

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, 2010**

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

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

NOTE D - MATCHING REQUIREMENTS

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



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, each major fund, and the aggregate remaining fund information of Preble Shawnee Local School District, Preble County, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 7, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

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Preble Shawnee Local School District
Preble County
Independent Accountants' Report on *Internal Control*
Over Financial Reporting and Compliance and Other
Matters Required by *Government Auditing Standards*
Page 2

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated October 7, 2010.

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

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

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

Mary Taylor, CPA
Auditor of State

October 7, 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 each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with 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 each of its major federal programs for the year ended June 30, 2010.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

We 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.

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

Mary Taylor, CPA
Auditor of State

October 7, 2010

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

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):	Title I, CFDA # 84.010, 84.389 State Fiscal Stabilization Fund, CFDA # 84.394 Special Education Cluster: Special Education-Grants to States, CFDA # 84.027, 84.391; Special Education-Preschool Grant, CFDA # 84.173, 84.392
<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 2010-001

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, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Re-issued as Finding 2010-001

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Mary Taylor, CPA
Auditor of State

PREBLE SHAWNEE LSD

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
NOVEMBER 4, 2010**