



**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2000	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2000	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2000	8
Notes to the Financial Statements	11
Schedule of Federal Awards Expenditures	39
Notes to the Schedule of Federal Awards Expenditures	40
Report on Compliance and on Internal Control Required by Governmental Auditing Standards	41
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings	45

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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 general-purpose financial statements of the Preble Shawnee Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of operations for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

January 19, 2001

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,530,615	\$295,634	\$377,941	\$1,646,302
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	0	0
With Fiscal Agents	0	8,726	5,106	0
With Escrow Agents	0	0	0	122,287
Receivables:				
Property Taxes	2,139,887	53,170	530,761	0
Income Tax	487,679	0	0	0
Accounts	1,304	24,543	0	153,634
Intergovernmental	21,321	1,882	0	0
Accrued Interest	4,624	0	0	0
Interfund	8,800	0	0	0
Inventory of Supplies and Materials	19,920	17,277	0	0
Prepaid Items	12,563	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	214,432	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$4,441,145</u>	<u>\$401,232</u>	<u>\$913,808</u>	<u>\$1,922,223</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$9,709	\$2,514	\$0	\$7,840
Contracts Payable	0	0	0	492,427
Retainage Payable	0	0	0	126,481
Accrued Wages Payable	854,294	73,257	0	0
Intergovernmental Payable	198,393	13,388	0	0
Interfund Payable	0	0	0	8,800
Due to Students	0	0	0	0
Undistributed Monies	0	0	0	0
Deferred Revenue	2,056,127	74,468	509,863	0
Compensated Absences Payable	14,963	0	0	0
Matured Interest Payable	0	0	5,106	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,133,486</u>	<u>163,627</u>	<u>514,969</u>	<u>635,548</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	41,013	6,776	0	1,105,126
Reserved for Inventory of Supplies and Materials	19,920	17,277	0	0
Reserved for Property Taxes	83,760	2,094	20,898	0
Reserved for Budget Stabilization	205,453	0	0	0
Reserved for Textbooks and Instructional Materials	8,979	0	0	0
Designated for Budget Stabilization	155	0	0	0
Designated for Textbooks	28,693	0	0	0
Unreserved, Undesignated	919,686	211,458	377,941	181,549
Total Fund Equity and Other Credits	<u>1,307,659</u>	<u>237,605</u>	<u>398,839</u>	<u>1,286,675</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,441,145</u>	<u>\$401,232</u>	<u>\$913,808</u>	<u>\$1,922,223</u>

See Accompanying Notes to the Financial Statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
AGENCY			
\$52,195	\$0	\$0	\$3,902,687
3,406	0	0	3,406
0	0	0	13,832
0	0	0	122,287
0	0	0	2,723,818
0	0	0	487,679
0	0	0	179,481
0	0	0	23,203
0	0	0	4,624
0	0	0	8,800
0	0	0	37,197
0	0	0	12,563
0	0	0	214,432
0	21,387,550	0	21,387,550
0	0	398,839	398,839
0	0	4,870,346	4,870,346
\$55,601	\$21,387,550	\$5,269,185	\$34,390,744
\$32	\$0	\$0	\$20,095
0	0	0	492,427
0	0	0	126,481
0	0	0	927,551
0	0	89,462	301,243
0	0	0	8,800
52,264	0	0	52,264
3,305	0	0	3,305
0	0	0	2,640,458
0	0	369,723	384,686
0	0	0	5,106
0	0	4,810,000	4,810,000
55,601	0	5,269,185	9,772,416
0	21,387,550	0	21,387,550
0	0	0	1,152,915
0	0	0	37,197
0	0	0	106,752
0	0	0	205,453
0	0	0	8,979
0	0	0	155
0	0	0	28,693
0	0	0	1,690,634
0	21,387,550	0	24,618,328
\$55,601	\$21,387,550	\$5,269,185	\$34,390,744

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Revenues:					
Property Taxes	\$1,914,226	\$47,847	\$477,509	\$0	\$2,439,582
Income Tax	1,356,917	0	0	0	1,356,917
Intergovernmental	6,604,385	914,002	62,223	4,147,302	11,727,912
Interest	154,115	3,276	0	134,268	291,659
Tuition and Fees	147,986	49,188	0	0	197,174
Rent	5,080	0	0	0	5,080
Extracurricular Activities	0	79,892	0	0	79,892
Gifts and Donations	21,132	28,894	0	0	50,026
Miscellaneous	606	15,658	0	154,364	170,628
Total Revenues	<u>10,204,447</u>	<u>1,138,757</u>	<u>539,732</u>	<u>4,435,934</u>	<u>16,318,870</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,124,290	113,196	0	45,004	4,282,490
Special	888,132	329,709	0	0	1,217,841
Vocational	500,350	5,925	0	7,840	514,115
Adult/Continuing	0	2,186	0	0	2,186
Support Services:					
Pupils	376,890	46,493	0	0	423,383
Instructional Staff	254,928	84,400	0	930	340,258
Board of Education	36,045	0	0	0	36,045
Administration	902,660	42,141	0	0	944,801
Fiscal	251,361	635	12,360	0	264,356
Business	14,371	0	0	0	14,371
Operation and Maintenance of Plant	1,045,177	12,557	0	0	1,057,734
Pupil Transportation	826,770	0	0	0	826,770
Central	231,926	25,699	0	49,219	306,844
Operation of Non-Instructional					
Services	0	471,424	0	0	471,424
Extracurricular Activities	240,104	78,510	0	0	318,614
Capital Outlay	26,561	0	0	5,979,905	6,006,466
Debt Service:					
Principal Retirement	0	0	292,900	0	292,900
Interest and Fiscal Charges	0	0	309,725	0	309,725
Total Expenditures	<u>9,719,565</u>	<u>1,212,875</u>	<u>614,985</u>	<u>6,082,898</u>	<u>17,630,323</u>
Excess of Revenues Over (Under) Expenditures	<u>484,882</u>	<u>(74,118)</u>	<u>(75,253)</u>	<u>(1,646,964)</u>	<u>(1,311,453)</u>
Other Financing Sources (Uses):					
Operating Transfers In	0	135,363	0	0	135,363
Operating Transfers Out	<u>(135,363)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(135,363)</u>
Total Other Financing Sources (Uses)	<u>(135,363)</u>	<u>135,363</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other					
Financing Sources Over (Under)					
Expenditures and Other Financing Uses	349,519	61,245	(75,253)	(1,646,964)	(1,311,453)
Fund Balances at Beginning of Year	957,466	180,489	474,092	2,933,639	4,545,686
Increase (Decrease) in Reserve for Inventory	<u>674</u>	<u>(4,129)</u>	<u>0</u>	<u>0</u>	<u>(3,455)</u>
Fund Balances at End of Year	<u>\$1,307,659</u>	<u>\$237,605</u>	<u>\$398,839</u>	<u>\$1,286,675</u>	<u>\$3,230,778</u>

See Accompanying Notes to the Financial Statements.

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$1,932,467	\$1,932,467	\$0	\$48,303	\$48,303	\$0
Income Tax	1,331,392	1,331,392	0	0	0	0
Intergovernmental	6,604,435	6,604,435	0	917,547	917,547	0
Interest	154,011	154,011	0	3,276	3,276	0
Tuition and Fees	164,755	164,755	0	67,704	67,704	0
Rent	5,080	5,080	0	0	0	0
Extracurricular Activities	0	0	0	80,316	80,316	0
Gifts and Donations	21,132	21,132	0	28,894	28,894	0
Miscellaneous	0	0	0	16,420	16,420	0
Total Revenues	10,213,272	10,213,272	0	1,162,460	1,162,460	0
Expenditures:						
Current:						
Instruction:						
Regular	4,275,509	4,275,509	0	117,586	117,586	0
Special	874,605	874,605	0	333,803	333,803	0
Vocational	493,991	493,991	0	5,925	5,925	0
Adult/Continuing		0	0	2,186	2,186	0
Support Services:						
Pupils	389,753	389,753	0	46,534	46,534	0
Instructional Staff	262,923	262,923	0	76,748	76,748	0
Board of Education	34,897	34,897	0	0	0	0
Administration	903,575	903,575	0	43,049	43,049	0
Fiscal	268,261	268,261	0	635	635	0
Business	22,627	22,627	0	0	0	0
Operation and Maintenance of Plant	1,068,357	1,068,357	0	12,557	12,557	0
Pupil Transportation	835,473	835,473	0	0	0	0
Central	225,715	225,715	0	25,179	25,179	0
Operation of Non-Instructional Services	0	0	0	469,977	469,977	0
Extracurricular Activities	237,507	237,507	0	76,958	76,958	0
Capital Outlay	26,561	26,561	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,919,754	9,919,754	0	1,211,137	1,211,137	0
Excess of Revenues Over (Under) Expenditures	293,518	293,518	0	(48,677)	(48,677)	0
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	22,731	22,731	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(8,800)	(8,800)	0	0	0	0
Operating Transfers In	0	0	0	135,363	135,363	0
Operating Transfers Out	(135,363)	(135,363)	0	0	0	0
Total Other Financing Sources (Uses)	(121,432)	(121,432)	0	135,363	135,363	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	172,086	172,086	0	86,686	86,686	0
Fund Balances at Beginning of Year	1,378,545	1,378,545	0	162,261	162,261	0
Prior Year Encumbrances Appropriated	112,946	112,946	0	39,677	39,677	0
Fund Balances at End of Year	\$1,663,577	\$1,663,577	\$0	\$288,624	\$288,624	\$0

See Accompanying Notes to the Financial Statements.

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$482,060	\$482,060	\$0	\$0	\$0	\$0
0	0	0	0	0	0
62,223	62,223	0	4,147,302	4,147,302	0
0	0	0	133,362	133,362	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	730	730	0
<u>544,283</u>	<u>544,283</u>	<u>0</u>	<u>4,281,394</u>	<u>4,281,394</u>	<u>0</u>
0	0	0	45,004	45,004	0
0	0	0	0	0	0
0	0	0	8,800	8,800	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	930	930	0
0	0	0	0	0	0
0	0	0	0	0	0
12,360	12,360	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	49,219	49,219	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,857,954	6,857,954	0
292,900	292,900	0	0	0	0
309,725	309,725	0	0	0	0
<u>614,985</u>	<u>614,985</u>	<u>0</u>	<u>6,961,907</u>	<u>6,961,907</u>	<u>0</u>
<u>(70,702)</u>	<u>(70,702)</u>	<u>0</u>	<u>(2,680,513)</u>	<u>(2,680,513)</u>	<u>0</u>
0	0	0	0	0	0
0	0	0	8,800	8,800	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>8,800</u>	<u>8,800</u>	<u>0</u>
(70,702)	(70,702)	0	(2,671,713)	(2,671,713)	0
448,643	448,643	0	239,908	239,908	0
0	0	0	3,086,521	3,086,521	0
<u>\$377,941</u>	<u>\$377,941</u>	<u>\$0</u>	<u>\$654,716</u>	<u>\$654,716</u>	<u>\$0</u>

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Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 89 square miles. It is located in Butler, Montgomery, and Preble Counties, including all of Gasper, German, Gratis, Israel, Lanier, Somers, and Wayne Townships. It is staffed by 78 non-certificated employees, 128 certificated full time teaching personnel and nine administrative employees to provide services to 1,809 students and other community members. The School District currently operates three instructional buildings and one administrative building.

A reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Preble Shawnee Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Preble Shawnee Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Type:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivables, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

C. Budgetary Process

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Preble County Budget Commission for rate determination.

Estimated Resources:

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

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

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

During fiscal year 2000, the District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$154,115, which includes \$91,375 assigned from other funds. The School District also received interest in the special revenue funds and capital projects funds of \$3,276 and \$134,269, respectively.

For presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Fund

Schoolnet Plus
Classroom Facilities

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Travel/Salary

Special Revenue Funds

National School Lunch Program
E-Rate
OhioReads Grant

Grants and entitlements received in governmental funds amounted to 72 percent of governmental fund revenue during the 2000 fiscal year.

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required by statute to be set-aside by the School District for the purchase of textbooks and other instructional materials and the creation of a reserve for budget stabilization.

M. Estimates

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

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for budget stabilization and textbooks and instructional materials which exceed the statutory required amount. The amounts designated for budget stabilization and textbooks and instructional materials this year for the School District are \$155 and \$28,693, respectively.

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - PRIOR PERIOD ADJUSTMENT

Total liabilities in the general long-term obligations account group included an early retirement incentive of \$79,500. This early retirement incentive has been removed for fiscal year 2000 and the beginning liabilities restated from \$5,665,145 to \$5,585,645.

NOTE 4 - ACCOUNTABILITY

At June 30, 2000, the EMIS, textbooks/instructional materials, title VI-B, drug free schools and vocational equipment special revenue funds had deficit fund balances of \$486, \$7, \$4,180, \$174 and \$7,840, respectively, which were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis:	\$349,519	\$61,245	(\$75,253)	(\$1,646,964)
Adjustments:				
Revenue Accruals	31,556	23,703	4,551	(153,633)
Expenditure Accruals	(119,164)	13,112	0	233,957
Non-Budgeted Funds	0	(4,364)	0	0
Unrecorded Cash	0	0	0	(907)
Prepaid Items	745	0	0	0
Advances	(8,800)	0	0	8,800
Encumbrances	(81,770)	(7,010)	0	(1,112,966)
Budget Basis	\$172,086	\$86,686	(\$70,702)	(\$2,671,713)

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

The "cash and cash equivalents with fiscal agents" of \$8,726 shown in the special revenue funds is maintained with the Preble County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

Deposits: At year end, the carrying amount of the School District's deposits was \$474,752 and the bank balance was \$685,059. \$329,450 of the bank balance was covered by Federal Depository Insurance and \$355,609 was considered uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. Both the carrying value and the fair value at June 30, 2000 were \$3,773,166.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$4,256,644	\$0
Cash Held with the Preble County Educational Service Center	(8,726)	0
STAR Ohio	(3,773,166)	3,773,166
GASB Statement 3	\$474,752	\$3,773,166

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$84,109,040	86.48%	\$105,034,080	88.70%
Public Utility	10,882,340	11.19	10,672,450	9.01
Tangible Personal Property	2,264,530	2.33	2,715,130	2.29
Total Assessed Value	\$97,255,910	100.00%	\$118,421,660	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.07		\$28.07	

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 7 - 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$83,760 in the general fund, \$2,094 in classroom facilities special revenue fund, and \$20,898 in the bond retirement debt service fund.

NOTE 8 - INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund for fiscal year 2000 was \$1,356,917.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 9 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Reimbursement of Special Education	\$20,971
Driver's Education Reimbursement	350
Total General Fund	21,321
Special Revenue Funds:	
Title VI Grant	1,227
Breakfast and Lunch Reimbursements	655
Total Special Revenue Funds	1,882
Total Intergovernmental Receivables	\$23,203

NOTE 10 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 06/30/99	Additions	Deletions	Balance at 06/30/00
Land and Improvements	\$686,917	\$0	\$0	\$686,917
Buildings and Improvements	10,483,614	39,914	15,700	10,507,828
Furniture, Fixtures and Equipment	2,672,915	75,237	13,144	2,735,008
Vehicles	879,257	0	0	879,257
Construction in Progress	824,753	5,753,787	0	6,578,540
Total General Fixed Assets	\$15,547,456	\$5,868,938	\$28,844	\$21,387,550

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$22,512,100
Inland Marine Coverage (\$100 deductible)	500,000
Boiler and Machinery (\$1,000 deductible)	13,667,600
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

C. Employee Medical Benefits

For fiscal year 2000, the School District also participated in the Preble County Schools Regional Council of Governments (COG), a shared risk pool consisting of five local school districts and an educational service center (See Note 19). The School District pays monthly premiums to the COG for employee medical benefits. The COG is responsible for the management and operations of the program. Upon withdrawal from the COG, a participant is responsible for the payment of all COG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$67,485, \$96,617 and \$120,319, respectively; 42.32 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$38,925 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$303,698, \$286,032 and \$495,209, respectively; 82.30 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$53,764 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board of Education have elected SERS.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$404,931 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent over fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$127,704.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up various maximum levels depending on the length of the employees contract. Upon retirement, payment is made for 30 percent of accrued, but unused sick leave credit. There is no maximum that can be paid.

B. Life Insurance

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

C. Special Termination Benefit Payable

The School District offers a bonus to certified employees who retire in the first year that they become eligible. For these employees, they must give written notice to the Superintendent by March 15 of the year he/she first becomes eligible for “full retirement” and they must have at least 30 years of service to retire as set forth by the State Teachers Retirement System. There were no employees during fiscal year 2000 that were eligible that took the bonus.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2000 were as follows:

	Restated Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
School Improvement Bond 1982 10.75%	\$1,410,000	\$0	\$180,000	\$1,230,000
School Improvement Bond 1999 5.00%	3,692,900	0	112,900	3,580,000
Total General Obligation Bonds	5,102,900	0	292,900	4,810,000
Other Long-Term Obligations:				
Intergovernmental Payable	92,630	89,462	92,630	89,462
Compensated Absences	390,115	0	20,392	369,723
Total General Long-Term Obligations	<u>\$5,585,645</u>	<u>\$89,462</u>	<u>405,922</u>	<u>\$5,269,185</u>

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds

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

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

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

The School District's overall legal debt margin was \$6,246,788 with an unvoted debt margin of \$118,422 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$255,000	\$287,594	\$542,594
2002	260,000	265,994	525,994
2003	265,000	244,029	509,029
2004	275,000	221,478	496,478
2005	275,000	198,641	473,641
2006-2022	<u>3,480,000</u>	<u>1,571,229</u>	<u>5,051,229</u>
Total	<u>\$4,810,000</u>	<u>\$2,788,965</u>	<u>\$7,598,965</u>

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Amount</u>
Arctic Heating and Air Conditioning	378,038
Bruce Construction	2,113,884
Clemens and Co.	525,000
CMM Construction	1,775,000
Donell Inc.	163,301
Demmy Construction	564,775
Eagle Electrical Systems	328,383
J & H Mechanical	\$17,150
O'Rourke Wrecking Co.	186,490
Ruscilli Construction Co.	187,795
Southwest Ohio Electric	246,210

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$22,465 for services provided during fiscal year 2000. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2000, the Preble Shawnee Local School District paid \$10,044 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2000, the School District paid \$19,004 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 18 - INSURANCE PURCHASING POOL

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

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 19 - SHARED RISK POOL

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 1999	\$16,820	\$0	\$134,401
Current Year Set-aside Requirement	213,156	213,156	71,052
Additional Money Set Aside	28,693	0	155
Current Year Offsets	0	(192,419)	0
Qualifying Disbursements	(220,997)	(20,737)	0
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$37,672</u>	<u>\$0</u>	<u>\$205,608</u>
Set-aside Reserve Balances as of June 30, 2000	<u>\$8,979</u>	<u>\$0</u>	<u>\$205,453</u>

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

Amounts of offsets and qualifying disbursements presented in the table for capital acquisition were limited to those necessary to reduce the set-aside balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future years. The negative amounts for capital acquisitions are therefore not presented as being carried forward to the next fiscal year. The School District also set-aside additional money in excess of statutory requirements for textbooks/instructional materials and budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is therefore not included in restricted assets. The total reserve balance for textbooks/instructional materials and budget stabilization at the end of the fiscal year was \$214,432.

NOTE 21 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,277,214 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

Preble Shawnee Local School District
Preble County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 21 - SCHOOL FUNDING (Continued)

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

NOTE 22 - INTERFUND ACTIVITY

The general fund had an interfund receivable of \$8,800 at June 30, 2000 and the vocational education equipment special revenue fund had an interfund payable of \$8,800.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District does not have any pending litigation.

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**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Commodity Distribution		10.550		\$34,281		\$38,495
National School Breakfast Program	05-PU-99	10.553	\$1,614		\$1,614	
	05-PU-00	10.553	4,412		4,412	
Total National School Breakfast Program			<u>6,026</u>		<u>6,026</u>	
National School Lunch Program	03-PU-99	10.555	7,205		7,205	
	03-PU-00		22,153		22,153	
	04-PU-99		20,718		20,718	
	04-PU-00		59,041		59,041	
Total National School Lunch Program			<u>109,117</u>		<u>109,117</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>115,143</u>	<u>34,281</u>	<u>115,143</u>	<u>38,495</u>
U. S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Title VI-B	6B-SF-00-P	84.027	86,199		86,199	
Public School Preschool	PG-S1-00-P	84.173	3,958		3,958	
Total Special Education Cluster			<u>90,157</u>		<u>90,157</u>	
Title 1	C1-S1-00	84.010	200,744		196,869	
Drug Free Schools	DR-S1-00	84.186	7,712		7,712	
Math Science Special Subsidy	MS-S4-00	84.281	60,000		60,000	
Class Size Reduction Subsidy	CR-S1-00	84.340	35,021		23,696	
Innovative Education Program Strategy	C2-S1-00	84.298	8,985		8,985	
<i>Passed through Miami Valley Career Technology Center</i>						
Carl Perkins/Vocational Education	99	84.048			2,030	
Total U.S. Department of Education			<u>402,619</u>		<u>389,449</u>	
TOTAL FEDERAL ASSISTANCE			<u><u>\$517,762</u></u>	<u><u>\$34,281</u></u>	<u><u>\$504,592</u></u>	<u><u>\$38,495</u></u>

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

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Preble Shawnee Local School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10368-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in the report, that we have reported to management of the District in a separate letter dated January 19, 2001.

Preble Shawnee Local School District
Preble County
Report on Compliance and on Internal Control required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

January 19, 2001



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Preble Shawnee Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design

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

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

Jim Petro
Auditor of State

January 19, 2001

**PREBLE SHAWNEE LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Commodity Distribution, CFDA 10.550 National School Breakfast Program, CFDA 10.553 National School Lunch Program, CFDA 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2000-10368-001

Reportable Condition - Future Farmers of America Checking Account

The District has not correctly accounted for its Future Farmers of America (FFA) petty cash account. The District's cash basis financial statements did not include the FFA petty cash account. The District believed this account was used only for petty cash purposes, hence the name FFA petty cash. However, upon inspection we determined the advisor was actually using the funds received to make purchases and had an outside checking account for receipts and expenditures. During the fiscal year ended June 30, 2000, deposits into this bank account totaled \$25,563.45 and expenditures from this account totaled \$24,059.73 with an ending balance of \$3,406.

The initial amount of \$2,000 given to this fund exceeded the petty cash amount allowed by the Board. The receipts and expenditures related to this account were not properly accounted for on the District accounting system and therefore, were not subject to any of the internal controls over receipts and disbursements that the District has in place.

To improve accountability over FFA transactions and reduce the chance of undetected errors and fraud, the District should implement the following procedures which will improve control over FFA account functions:

- All FFA receipts and expenditures should be accounted for on the District's records;
- All entries should be posted in chronological order and reflect year-to-date totals; and
- The FFA student activity duplicate receipt book should be reconciled with pay-ins to the Treasurer on a monthly basis.

Implementation of these procedures will add a substantial measure of control over FFA transactions, as well as provide assurance that FFA activity is properly handled and fairly presented on the District's financial records.

The financial statements were adjusted to include this activity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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PREBLE SHAWNEE LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2001**