

Shawnee Local School District

Allen County

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

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Mary Taylor, CPA
Auditor of State

Board of Education
Shawnee Local School District
3255 Zurmehly Road
Lima, Ohio 45806

We have reviewed the *Independent Auditor's Report* of the Shawnee Local School District, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shawnee Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 17, 2008

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ALLEN COUNTY
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Shawnee Local School District
Allen County
3255 Zurmehly Road
Lima, Ohio 45806

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shawnee Local School District, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic 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 the 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 opinions.

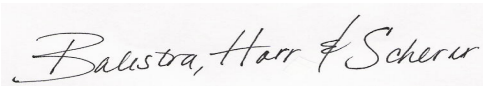
Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified-cash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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective modified-cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in modified-cash financial position thereof, and the respective budgetary comparison of the General Fund for the year then ended in conformity with the accounting basis described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.

November 16, 2007

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Shawnee Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- ❑ General Receipts accounted for \$22,000,257 or 85% of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, and contributions accounted for \$3,910,984 or 15% of total receipts of \$25,911,241.
- ❑ The District had \$21,892,352 in expenses related to government activities.
- ❑ The District's major governmental fund is the general fund. The general fund had \$21,511,491 in receipts and other financing sources and \$17,345,704 in disbursements and other financing uses. The fund balance of the general fund increased from \$4,635,895 in fiscal year 2006 to \$8,801,682 in fiscal year 2007.
- ❑ Net assets of Governmental Activities of the School District at June 30, 2007 totaled \$10,145,358.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Shawnee Local School District, the general fund is the most significant fund.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

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

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict receipts growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. The School District has no business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Proprietary Fund – Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary fund is an internal service fund used to account for the financing of goods and services provided by one department or agency to other department or agencies of the School District, or to other governmental units, on a cost-reimbursement basis.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2007 and 2006, comparatively. The 2006 balances have been restated to combine the Uniform School Supplies and Lunchroom Funds (previously reported as Enterprise Funds) with Governmental Activities for comparison purposes.

(Table 1)
Net Assets

	Governmental Activities	
	2007	2006 (Restated)
ASSETS		
Cash & cash equivalents	\$ 1,512,314	\$ 322,111
Restricted cash	660,215	668,929
Investments	7,972,829	5,135,429
Total Assets	10,145,358	6,126,469
NET ASSETS		
Restricted for:		
Capital Outlay	470,673	611,411
Other Purposes	530,796	334,867
Budget Stabilization	490,091	490,091
Set Asides	149,391	178,838
Bus Purchase	20,733	0
Unrestricted	8,483,674	5,009,253
Total Net Assets	\$ 10,145,358	\$ 6,126,469

Net assets of the governmental activities increased \$4,018,889, which represents a 66% increase over the restated fiscal year 2006 balance. The increase is the result of an increase in grants and entitlements and an issuance of debt.

A portion of the School District's net assets, \$1,001,469, represent resources subject to external restrictions on how they may be used. In addition, the remaining balance of the government-wide net assets of \$9,143,889 have reserves placed on them for budget stabilization, textbooks and instructional materials, and bus purchases in the amount of \$660,215.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

These statements were prepared on a modified-cash basis of accounting utilizing GASB 34 format. Table 2 shows the changes in net assets for fiscal years 2007 and 2006, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems. The 2006 balances have been restated to combine the Uniform School Supplies and Lunchroom Funds (previously reported as Enterprise Funds) with Governmental Activities for comparison purposes.

(Table 2)
Governmental Activities

	Governmental Activities	
	2007	2006 (Restated)
<i>Program Receipts</i>		
Charges for Services	\$ 2,286,351	\$ 2,206,863
Operating Grants	1,603,900	1,554,663
Capital Grants	20,733	55,477
 <i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	12,485,815	13,226,584
Capital Projects	568,195	619,034
Grants and Entitlements	6,657,225	5,166,836
Other	2,289,022	367,767
 <i>Total Receipts</i>	25,911,241	23,197,224
 <i>Program Disbursements</i>		
Instruction	10,910,001	10,807,725
Support Services	8,059,261	7,725,233
Food Services	840,487	796,327
Non-instructional	397,428	387,537
Extracurricular	754,375	757,400
Capital Outlay	852,709	0
Debt Service	78,091	0
 <i>Total Disbursements</i>	21,892,52	20,474,222
 Increase in Net Assets	\$ 4,018,889	\$ 2,723,002

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

Governmental Activities

Several receipt sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$13.1 million, or 59.3% of general receipts, in 2007. Grants and entitlements, also a large contributor, generated \$6.7 million, or 30.3% of general receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 17.9% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$10,910,001, or 49.8% of disbursements with program receipts funding 18.1 percent of those costs. Thus, general revenues of \$8,934,342 were used to support the remainder of the instruction costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The 2006 balances have been restated to combine the Uniform School Supplies and Lunchroom Funds (previously reported as Enterprise Funds) with Governmental Activities for comparison purposes.

(Table 3)
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2007	2006 (Restated)	2007	2006 (Restated)
Instruction	\$ 10,910,001	\$ 10,807,725	\$ 8,934,342	\$ 8,856,646
Support Services:				
Pupil and Instructional Staff	1,760,537	1,762,213	1,642,873	1,722,370
Board of Education, Administration, Fiscal and Central	2,295,391	2,199,177	2,131,561	2,062,559
Operation and Maintenance of Plant	2,814,183	2,629,828	2,801,791	2,597,095
Pupil Transportation	1,189,150	1,134,015	1,127,126	1,079,704
Food Services	840,487	796,327	(25,681)	(57,948)
Operation of Non-Instructional Services	397,428	387,537	31,090	26,951
Extracurricular Activities	754,375	757,400	407,466	418,315
Capital Outlay	852,709	0	852,709	(48,473)
Debt Service	78,091	0	78,091	0
Total	\$ 21,892,352	\$ 20,474,222	\$17,981,368	\$ 16,657,219

Instruction and student support services comprise 58% of governmental program disbursements. Board of Education, administration, fiscal and central charges were 11%. Pupil transportation and the operation/maintenance of facilities accounts for 18% of governmental program disbursements. 13% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay and debt service.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District did not significantly modify its general fund budget. The School District uses budgeting systems to tightly control total budgets but provide flexibility for management.

For the general fund, budget basis actual receipts were \$21,494,717; \$8,595 over the final budget estimates of \$21,486,122. Of this increase, most was attributable to an increase in tax receipts. Budget basis actual disbursements were \$17,340,872; \$581,347 under the final budget estimates of \$17,922,219. Of this decrease, most was due to a decrease in special instruction and operation and maintenance of plants.

Set Asides and Debt Administration

Set Asides

A change in Ohio law required school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks. For fiscal year 2007, this amounted to \$396,290 for each set aside. Further information on statutory reserves can be found in Note 10 in the notes to the basic financial statements.

Debt

At June 30, 2007, the School District's outstanding debt was comprised of a HB 264 Energy Conservation Loan totaling \$804,647 for the purpose of providing energy conservation measures. During fiscal year 2007, the School District paid principal of \$40,510 on this loan.

Further information on the debt instrument can be found at Note 6 in the notes to the basic financial statements.

Current Issues

The School District's financial condition has stabilized due to two main factors: new operating funds from an Emergency Levy passed in March 2004 and aggressive cost cutting and cost containment measures undertaken by the School District's administration and Board of Education. Included in this effort is a careful evaluation of all positions that are open due to retirement or resignation of employees. Positions are only filled after an evaluation reaffirms its importance to the School District's mission of excellence. The School District's return to the Allen County Schools Health Insurance Consortium on January 1, 2006 also resulted in fiscal year 2007 health insurance costs being less than the costs from fiscal year 2006.

From a State funding perspective, the passage of House Bill 66 included revisions to tax laws, including the phase out of the tangible personal property tax, with full revenue replacement being phased out over future years. The School District has regularly collected approximately 25% of its local taxes from personal property valuation.

The School District's buildings are all over 30 years old and their maintenance is a concern of the Board of Education. The School District currently ranks 533rd out of 612 districts on the eligibility listing with the Ohio School Facilities Commission. When the School District becomes eligible for funding, the current projection is for a 12% contribution from the State of Ohio. The Board of Education is cognizant of the fact that it's unlikely the School District will be able to replace any of its current buildings in the near future. In order to more adequately maintain current facilities, the Board of Education will seek to replace instead of renew its current permanent improvements levy which expires in 2008. The Allen County Auditor estimates this would increase permanent improvements levy revenue from \$676,190 per year to \$1,227,169 beginning in calendar year 2009.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Greg Buddelmeyer, Treasurer of Shawnee Local District, 3255 Zurmehly Rd., Lima, OH 45806.

Shawnee Local School District
Statement of Net Assets - Modified-Cash Basis
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,512,314
Restricted Cash and Cash Equivalents	660,215
Investments	<u>7,972,829</u>
<i>Total Assets</i>	<u><u>10,145,358</u></u>
Net Assets	
Restricted for:	
Capital Outlay	470,673
Other Purposes	530,796
Budget Stabilization	490,091
Set Asides	149,391
Bus Purchase	20,733
Unrestricted	<u>8,483,674</u>
<i>Total Net Assets</i>	<u><u>\$ 10,145,358</u></u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Activities - Modified-Cash Basis
For the Fiscal Year Ended June 30, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
Instruction					
Regular	\$ 8,098,504	\$ 1,057,790	\$ 68,432	\$ -	\$ (6,972,282)
Special	1,896,335	96,082	752,394	-	(1,047,859)
Other	915,162	-	961	-	(914,201)
Support Services					
Pupil	698,342	-	34,775	-	(663,567)
Instructional Staff	1,062,195	3,719	79,170	-	(979,306)
Board of Education	87,502	-	-	-	(87,502)
Administration	1,635,142	-	117,243	-	(1,517,899)
Fiscal	563,910	37,750	-	-	(526,160)
Operation and Maintenance of Plant	2,814,183	-	12,392	-	(2,801,791)
Pupil Transportation	1,189,150	-	41,291	20,733	(1,127,126)
Central	8,837	-	8,837	-	-
Food Services	840,487	641,608	224,560	-	25,681
Operation of Non-Instructional Services	397,428	121,679	244,659	-	(31,090)
Extracurricular Activities	754,375	327,723	19,186	-	(407,466)
Capital Outlay	852,709	-	-	-	(852,709)
Debt Service					
Principal	40,510	-	-	-	(40,510)
Interest	37,581	-	-	-	(37,581)
Total Governmental Activities	\$ 21,892,352	\$ 2,286,351	\$ 1,603,900	\$ 20,733	(17,981,368)
General Receipts					
Property Taxes Levied for:					
					12,485,815
General Purposes					568,195
Capital Projects					6,657,225
Grants and Entitlements not Restricted to Specific Programs					845,157
Proceeds from Issuance of Debt					12,316
Proceeds from Sale of Assets					524,722
Interest					906,827
Miscellaneous					-
					<u>22,000,257</u>
Change in Net Assets					4,018,889
Net Assets - Beginning of Year (Restated - See Note 3)					<u>6,126,469</u>
Net Assets - End of Year					<u><u>\$ 10,145,358</u></u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Assets and Fund Balances - Modified-Cash Basis
Governmental Funds
 June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 168,638	\$ 1,001,469	\$ 1,170,107
Restricted Cash and Cash Equivalents	660,215	-	660,215
Investments	7,972,829	-	7,972,829
<i>Total Assets</i>	<u>8,801,682</u>	<u>1,001,469</u>	<u>9,803,151</u>
Fund Balances			
Reserved for Encumbrances	73,259	168,289	241,548
Reserved for Budget Stabilization	490,091	-	490,091
Reserved for Textbooks and Instructional Materials	149,391	-	149,391
Reserved for Bus Purchases	20,733	-	20,733
Unreserved:			
Undesignated, Reported in:			
General Fund	8,068,208	-	8,068,208
Special Revenue Funds	-	464,191	464,191
Capital Projects Funds	-	368,989	368,989
<i>Total Fund Balances</i>	<u>\$ 8,801,682</u>	<u>\$ 1,001,469</u>	<u>\$ 9,803,151</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances	\$ 9,803,151
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*Amounts reported for governmental activities in the statement of
net assets are different because*

The internal service fund was used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in the governmental activities in the Statement of Net Assets.

<u>342,207</u>

Net Assets of Governmental Activities

<u><u>\$ 10,145,358</u></u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified-Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Taxes	\$ 12,485,815	\$ 568,195	\$ 13,054,010
Intergovernmental	6,763,326	1,518,532	8,281,858
Interest	429,173	66,709	495,882
Tuition and Fees	1,153,872	121,679	1,275,551
Rent	28,343	-	28,343
Extracurricular Activities	-	327,723	327,723
Gifts and Donations	574,374	76,243	650,617
Customer Sales and Services	9,407	641,608	651,015
Miscellaneous	50,407	648	51,055
<i>Total Receipts</i>	<u>21,494,717</u>	<u>3,321,337</u>	<u>24,816,054</u>
Disbursements			
Current:			
Instruction			
Regular	7,787,037	311,467	8,098,504
Special	1,289,209	607,126	1,896,335
Other	915,162	-	915,162
Support Services:			
Pupil	660,867	37,475	698,342
Instructional Staff	568,779	231,817	800,596
Board of Education	87,502	-	87,502
Administration	1,495,571	139,571	1,635,142
Fiscal	540,170	23,740	563,910
Operation and Maintenance of Plant	2,457,694	356,489	2,814,183
Pupil Transportation	1,031,182	157,968	1,189,150
Central	-	8,837	8,837
Food Services Operation	-	840,487	840,487
Operation of Non-Instructional Services	-	397,428	397,428
Extracurricular Activities	434,440	319,935	754,375
Capital Outlay	-	852,709	852,709
Debt Service:			
Principal	-	40,510	40,510
Interest	-	37,581	37,581
<i>Total Disbursements</i>	<u>17,267,613</u>	<u>4,363,140</u>	<u>21,630,753</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,227,104</u>	<u>(1,041,803)</u>	<u>3,185,301</u>
Other Financing Sources (Uses)			
Transfers In	-	78,091	78,091
Proceeds from Issuance of Debt	-	845,157	845,157
Proceeds from the Sale of Assets	10,524	1,792	12,316
Refund of Prior Year Expenditures	6,250	1,016	7,266
Transfers Out	(78,091)	-	(78,091)
<i>Total Other Financing Sources (Uses)</i>	<u>(61,317)</u>	<u>926,056</u>	<u>864,739</u>
<i>Net Change in Fund Balances</i>	4,165,787	(115,747)	4,050,040
<i>Fund Balances - Beginning of Year</i> <i>(Restated - See Note 3)</i>	<u>4,635,895</u>	<u>1,117,216</u>	<u>5,753,111</u>
<i>Fund Balances - End of Year</i>	<u>\$ 8,801,682</u>	<u>\$ 1,001,469</u>	<u>\$ 9,803,151</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in
Fund Balances of Governmental Funds to the Statement of Activities - Modified-Cash Basis*
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 4,050,040

*Amounts reported for governmental activities in the
statement of activities are different because*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

(31,151)

Change in Net Assets of Governmental Activities

\$ 4,018,889

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis - General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Taxes	\$ 12,087,224	\$ 12,446,786	\$ 12,485,815	\$ 39,029
Intergovernmental	6,378,225	6,777,520	6,763,326	(14,194)
Interest	229,150	433,150	429,173	(3,977)
Tuition and Fees	1,079,166	1,165,166	1,153,872	(11,294)
Rent	24,000	27,000	28,343	1,343
Gifts and Donations	3,700	575,000	574,374	(626)
Customer Sales and Services	10,000	10,000	9,407	(593)
Miscellaneous	39,500	51,500	50,407	(1,093)
<i>Total Receipts</i>	<u>19,850,965</u>	<u>21,486,122</u>	<u>21,494,717</u>	<u>8,595</u>
Disbursements				
Current:				
Instruction				
Regular	7,908,411	7,908,411	7,818,844	89,567
Special	1,486,425	1,486,425	1,302,874	183,551
Other	895,364	895,364	915,162	(19,798)
Support Services				
Pupil	666,294	666,294	665,457	837
Instructional Staff	627,549	627,549	573,295	54,254
Board of Education	63,113	63,113	89,002	(25,889)
Administration	1,460,458	1,460,458	1,502,352	(41,894)
Fiscal	560,588	560,588	540,282	20,306
Operation and Maintenance of Plant	2,620,394	2,620,394	2,462,215	158,179
Pupil Transportation	1,114,981	1,114,981	1,036,949	78,032
Extracurricular Activities	518,642	518,642	434,440	84,202
<i>Total Disbursements</i>	<u>17,922,219</u>	<u>17,922,219</u>	<u>17,340,872</u>	<u>581,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,928,746</u>	<u>3,563,903</u>	<u>4,153,845</u>	<u>589,942</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	5,000	8,000	10,524	2,524
Refund of Prior Year Expenditures	10,000	10,000	6,250	(3,750)
Transfers	-	(78,091)	(78,091)	-
<i>Total Other Financing Sources (Uses)</i>	<u>15,000</u>	<u>(60,091)</u>	<u>(61,317)</u>	<u>(1,226)</u>
<i>Net Change in Fund Balances</i>	1,943,746	3,503,812	4,092,528	588,716
<i>Fund Balances - Beginning of Year</i>	4,589,524	4,589,524	4,589,524	-
Prior Year Encumbrances Appropriated	<u>46,371</u>	<u>46,371</u>	<u>46,371</u>	<u>-</u>
<i>Fund Balances - End of Year</i>	<u>\$ 6,579,641</u>	<u>\$ 8,139,707</u>	<u>\$ 8,728,423</u>	<u>\$ 588,716</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Net Assets - Modified-Cash Basis
Proprietary Fund
June 30, 2007

	<u>Internal Service</u>
Assets	
Cash and Cash Equivalents	<u>\$ 342,207</u>
Net Assets	
Unrestricted	<u>\$ 342,207</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Cash Receipts, Disbursements and Changes in Net Assets
Modified-Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	<u>Internal Service</u>
Operating Receipts	
Charges for Services	\$ 3,719
Operating Disbursements	
Fringe Benefits	51,007
Claims	210,592
<i>Total Operating Expenses</i>	261,599
<i>Operating Loss</i>	(257,880)
Non-Operating Receipts	
Interest	28,840
Refund of Prior Year Expenses	197,889
<i>Total Non-Operating Receipts</i>	226,729
<i>Change in Net Assets</i>	(31,151)
<i>Net Assets - Beginning of Year</i>	373,358
<i>Net Assets - End of Year</i>	\$ 342,207

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Fiduciary Net Assets - Modified-Cash Basis
Fiduciary Funds
 June 30, 2007

	Private Purpose Trust	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$ 438,113	\$ 31,050
Investments	936,656	-
<i>Total Assets</i>	1,374,769	31,050
Net Assets		
Endowments	1,317,861	-
Held in Trust for:		
Scholarships	48,574	-
Other Purposes	5,267	-
Staff	3,067	
Student Activities	-	31,050
<i>Total Net Assets</i>	\$ 1,374,769	\$ 31,050

See accompanying notes to the basic financial statements.

Shawnee Local School District
Statement of Changes in Fiduciary Net Assets - Modified-Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 63,044
Deductions	
Payments in Accordance with Trust Agreements	<u>35,203</u>
<i>Change in Net Assets</i>	27,841
<i>Net Assets - Beginning of Year</i>	<u>1,346,928</u>
<i>Net Assets - End of Year</i>	<u>\$ 1,374,769</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the School District staffed by 162 certified teaching personnel and 111 non-certified support personnel to provide services to 2,605 students.

The School District is located in Allen County, and includes the Village of Ft. Shawnee and portions of Shawnee and American Townships.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' 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. There are no component units of Shawnee Local School District.

The following activities are included within the reporting entity:

Parochial Schools – Within the School District boundaries, Lima Central Catholic High School and St. Charles Elementary School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activities of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with the Northwest Ohio Area Computer Services Cooperative and the Apollo Career Center which are jointly governed organizations. Information about these organizations is presented in Note 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified-cash basis of accounting. This modified-cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified-cash basis of accounting.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following are the more significant of the School District's accounting policies:

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified-cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, fees charged for goods or services and other non-exchange receipts.

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into one major category: governmental.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criterion:

1. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following is the School District's only major governmental fund:

General Fund – The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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

Proprietary Fund

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary fund is an internal service fund used to account for the financing of goods and services provided by one department or agency to another department or agency of the School District, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

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 fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to 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 receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements 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 receipts are identified by the School District Treasurer.

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 must be legally enacted by the Board of Education at the fund, function, and object level of disbursements for the general fund or fund level for all other funds, 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 disbursements 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 the general fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as 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, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary and fiduciary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months and which are not purchased from pooled cash are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2007 were \$429,173, which includes \$43,843 assigned from other School District funds.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

F. Accumulated Leave

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

G. Long-Term Debt

Long-term debt arising from modified-cash basis transactions of governmental funds is not reported as a liability on the modified-cash basis financial statements. The debt proceeds are reported when cash is received and payment of principal and interest are reported as disbursements when paid.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Intergovernmental Receipts

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

J. Interfund Activity

Interfund transfers within governmental activities and within business-type activities have been eliminated in the government-wide statement of activities.

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

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets, and displayed in separate components:

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for capital improvements and Federal and State grants restricted to expenditures for specific purposes. Of the School District's \$1,661,684 in restricted net assets, none is restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. The School District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, textbooks and instructional materials, bus purchases and budget stabilization.

Shawnee Local School District
Notes To The Basic Financial Statements
 June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Receipts and Expenditures

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of an asset. Such constraints are either imposed by Creditors, Contributors, Grantors, laws of other governments or imposed by enabling legislation. Restricted assets represent the amounts required by state statute to be set aside to create a reserve for budget stabilization, set-asides for textbooks and instructional materials, and bus purchases.

NOTE 3 - RESTATEMENT OF FUND BALANCE/NET ASSETS

Restatement of Fund Balance/Net Assets

For fiscal year 2007, the School District has elected to include the uniform school supplies and lunchroom funds as special revenue funds. In prior years, these funds were recorded as enterprise funds. The beginning fund balance of Other Governmental Funds and net assets of governmental activities have been restated as follows:

Modified-Cash Basis	Net Assets Entity-Wide Statements	Fund Balance Fund Statements
Reported at 06/30/06	\$ 5,955,531	\$ 946,278
Uniform School Supplies and Lunchroom Funds Balances at 6/30/06	170,938	170,938
Restated Fund Balance/Net Assets at 06/30/06	\$ 6,126,469	\$ 1,117,216

NOTE 4 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or securities 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 securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Shawnee Local School District
Notes To The Basic Financial Statements
 June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

At fiscal year end, the carrying amount of the School District's deposits was \$2,635,292 and the bank balance was \$3,263,321. Of the bank balance, \$351,119 was covered by federal depository insurance and the remaining balance of \$2,912,202 was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the School District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2007, the School District had \$6,400 in undeposited cash on hand which is included in the fund balance.

Investments

Investments are reported at cost. As of June 30, 2007, the School District had the following investments:

	Cost as of 06/30/07	% of Total Investment	Maturities	
			0-1 Year	1-5 Years
Federal Home Loan Mortgage Corporation	\$ 2,998,205	33.65%	\$ 0	\$ 2,998,205
Federal Home Loan Bank	4,411,780	49.52	500,000	3,911,780
Federal National Mortgage Association	1,499,500	16.83	0	1,499,500
Total Investments	<u>\$ 8,909,485</u>	<u>100.00%</u>	<u>\$ 500,000</u>	<u>\$ 8,409,485</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee." However, all of the School District's investments are either insured and registered in the name of the School District or at least registered in the name of the School District.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District has limited its investments to U.S. Government agency securities.

The School District's investments in U.S. Government agency securities include securities in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal National Mortgage Association, which have a credit rating of AAA from Standard and Poor's.

Shawnee Local School District
Notes To The Basic Financial Statements
 June 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Concentration Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in FHLMC, FHLB and FNMA. These investments are 33.65%, 49.52% and 16.83%, respectively, of the School District's total investments for the amounts listed above.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First half distributions are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes received in calendar year 2007 represent the collection of calendar year 2006 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2007 were levied after April 1, 2006 on the assessed value listed as of the prior January 1, the lien date. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen and Auglaize 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	<u>2006 Second-Half Collections</u>		<u>2007 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 280,207,090	64.05%	\$ 313,348,360	69.89%
Industrial/Commercial	47,544,170	10.87%	51,273,890	11.44%
Public Utility	20,612,900	4.71%	21,455,280	4.78%
Tangible Personal Property	<u>89,142,870</u>	<u>20.37%</u>	<u>62,284,822</u>	<u>13.89%</u>
Total Assessed Value	<u>\$ 437,507,030</u>	<u>100.00%</u>	<u>\$ 448,362,352</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.62		\$ 34.24	

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 6 - DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2007 consisted of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/07</u>	<u>Due Within One Year</u>
HB264 Energy Conservation Loan	4.5%	\$ 0	\$845,157	\$ 40,510	\$ 804,647	\$42,353

In July 2006 the School District received an \$845,157 unvoted general obligation loan to Honeywell Global Finance for the purpose of providing energy conservation measures for the School District under HB264. The loan was issued for a fifteen year period with final maturity July 1, 2021. Semi-annual payments of \$39,046, including interest of 4.5%, will be made throughout the term of the loan. The loan will be retired from the debt service fund.

The annual requirement to amortize all long-term debt outstanding as of June 30, 2007, including interest payments of \$288,633 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 42,353	\$ 35,738	\$ 78,091
2009	44,281	33,810	78,091
2010	46,296	31,795	78,091
2011	48,403	29,688	78,091
2012	50,605	27,486	78,091
2013-2017	289,738	100,719	390,457
2018-2021	282,971	29,397	312,368
Total	<u>\$ 804,647</u>	<u>\$ 288,633</u>	<u>\$ 1,093,280</u>

NOTE 7 - RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District contracted with Ohio School Plan for property and general liability insurance.

Professional liability and vehicles are also protected by Ohio School Plan. Settled claims have not exceeded the commercial coverage in any of the past three years, nor has insurance coverage been significantly reduced from the prior fiscal year.

2. Workers' Compensation

For fiscal year 2007, the School District's Workers' Compensation managed care organization is contracted with Sheakley Uniserve. The School District did not qualify for a Group Rating Program due to prior claims. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria.

3. Health Care Benefits

The School District participates in the Allen County Schools Health Insurance Consortium (the "Consortium"), a consortium of School Districts and other political subdivisions. The School District pays monthly premiums to the Consortium for employee medical and dental insurance coverage. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Vision insurance is through Guardian.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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 SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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 statutory maximum amounts, by the SERS Retirement Board.

The School District's required contributions for obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$440,097, \$446,641, and \$488,376, respectively; 100 percent has been contributed for the fiscal years 2007, 2006 and 2005.

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 administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits based on eligible service credit to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Shawnee Local School District
Notes To The Basic Financial Statements
June 30, 2007

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Upon termination of a reemployed member, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2006 (the latest information available), plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The contribution requirement of plan members and Shawnee Local School District are established and may be amended by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,342,587, \$1,323,899, and \$1,355,590, respectively; 100 percent has been contributed for the fiscal years 2007, 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$1,450 made by the School District and \$13,600 made by the plan members.

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. The Board's liability is 6.2 percent of wages paid. As of June 30, 2007, two of the Board of Education members are not covered by either STRS or SERS.

NOTE 9 - POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retirees who participated in the DB or Combined Plans 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). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All 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, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

Shawnee Local School District
Notes To The Basic Financial Statements
 June 30, 2007

NOTE 9 - POST EMPLOYMENT BENEFITS (Continued)

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006 (the latest information available), the minimum pay was established at \$35,800. 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.

Healthcare benefits are financed on a pay-as-you-go basis. The target level for the health care fund is 150 percent of projected claims less premium contributions for the next fiscal year. Net health care costs for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. As of June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

NOTE 10 - STATUTORY 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 equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2007.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Carry Over Balance, 6/30/2006	\$ 178,838	\$ 0	\$ 490,091
Required Set-Aside	396,290	396,290	0
Qualifying Expenditures	<u>(425,737)</u>	<u>(629,906)</u>	<u>0</u>
Total	<u>\$ 149,391</u>	<u>\$ (233,616)</u>	<u>\$ 490,091</u>
Balance Carried forward to Subsequent Year	<u>\$ 149,391</u>	<u>\$ 0</u>	

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public School Districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. 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 NOACSC consists of two representatives from each county elected by majority vote of all charter member School Districts within each county. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Apollo Career Center - The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating School Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Career Center, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806

Shawnee Local School District
Notes To The Basic Financial Statements
 June 30, 2007

NOTE 12 – CONTRACTUAL COMMITMENTS

At June 30, 2007, the list of outstanding contractual commitments is:

<u>Contractor/Vendor</u>	<u>Amount</u>	<u>Description</u>
Craftsman Construction	\$ 6,150	Remove and replace walk section
R & W Construction Co., Inc.	13,508	Install Windows and Drywall patch
LBJ, Inc.	16,800	Design Professional Fee

NOTE 13 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2007.

NOTE 14 - TRANSFERS/ADVANCES

During fiscal year 2007, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Major Fund		
General Fund	\$ 0	\$ 78,091
Non-major Fund		
Debt Service Fund	78,091	0
Total	<u>\$ 78,091</u>	<u>\$ 78,091</u>

Transfers were made by the general fund to move unrestricted balances to the debt service fund to meet debt service requirements for fiscal year 2007.

During fiscal year 2007, the School District made no advances between funds.

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2007, the School District prepared its financial report on the modified-cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified-cash basis is outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified-cash basis). The encumbrances outstanding for year ended June 30, 2007 amounted to \$73,259 for the general fund.

Shawnee Local School District
Allen County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	05PU	10.553	\$ 2,820	\$ -	\$ 2,820	\$ -
National School Lunch Program	LLP4	10.555	215,703	-	215,703	-
Total Nutrition Cluster			218,523	-	218,523	-
Food Donation	N/A	10.550	-	137,647	-	137,647
Total United States Department of Agriculture			218,523	137,647	218,523	137,647
UNITED STATES DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	C1S1	84.010	226,496	-	227,797	-
Special Education- Grants to States	6BSF	84.027	579,210	-	579,210	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	7,036	-	7,036	-
State Grants for Innovative Programs	C2S1	84.298	3,303	-	4,090	-
Education Technology State Grants	TJS1	84.318	183	-	497	-
Improving Teacher Quality State Grants	TRS1	84.367	61,671	-	60,384	-
Hurricane Education Recovery	HR01	84.938	4,625	-	4,625	-
Total United States Department of Education			882,524	-	883,639	-
Total Federal Financial Assistance			\$ 1,101,047	\$ 137,647	\$ 1,102,162	\$ 137,647

N/A = Pass through entity number could not be located.
See Notes to the Schedule of Federal Awards Expenditures.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 the cash basis of accounting.

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Shawnee Local School District
Allen County
3255 Zurmehly Road
Lima, Ohio 45806

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shawnee Local School District, Allen County (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2007, wherein we noted the District follows the modified-cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

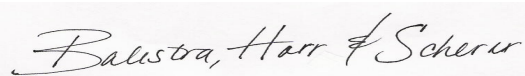
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2007-001.

We noted certain matters that we have reported to management in a separate letter dated November 16, 2007.

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

This report is intended solely for the information and use of management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

November 16, 2007

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Shawnee Local School District
Allen County
3255 Zurmehly Road
Lima, Ohio 45806

Compliance

We have audited the compliance of the Shawnee Local School District, Allen County (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 its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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 an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

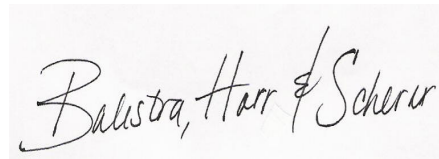
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

**Internal Control Over Compliance
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 16, 2007

SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States, CFDA#84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2007-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified-cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response

The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	A noncompliance citation was issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: Reissued as Finding Number 2007-001.



Mary Taylor, CPA
Auditor of State

SHAWNEE LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2008**