

Shawnee Local School District  
Allen County, Ohio  
Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • 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, 2009 through June 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 14, 2011

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**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY  
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### Independent Auditor's Report

Shawnee Local School District  
3255 Zurmehly Road  
Lima, Ohio 45806

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified-cash basis of accounting. This is a comprehensive basis of accounting 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.

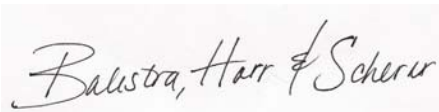
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified-cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio, as of June 30, 2010, and the respective changes in modified-cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 2N, the School District implemented Government Accounting Standards Board Statements No. 51, "Accounting and Financial Reporting for Intangible Assets", No. 53, "Accounting and Financial Reporting for Derivative Instruments", and No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010

**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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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, 2010. 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 2010 are as follows:

- ❑ General Receipts accounted for \$21,146,619 or 81% of all receipts. Program specific receipts in the form of charges for services and sales, operating and capital grants, contributions and interest accounted for \$4,945,907 or 19% of total receipts of \$26,092,526.
- ❑ The School District had \$24,722,643 in disbursements related to government activities.
- ❑ The School District's major governmental fund is the general fund. The general fund had \$21,326,120 in receipts and other financing sources and \$20,472,685 in disbursements and other financing uses. The fund balance of the general fund increased from \$17,104,936 in fiscal year 2009 to \$17,958,371 in fiscal year 2010.
- ❑ Net assets of Governmental Activities of the School District at June 30, 2010 totaled \$19,751,445.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Shawnee Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

***Basis of Accounting***

The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursements.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be pooled cash and cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of pooled cash and cash equivalents. 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 the modified cash basis of accounting.



**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***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 2010?" 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 6. 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 a 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 insurance services provided to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. These funds also use the modified cash basis of accounting.

**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***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 Changes in Fiduciary Net Assets on pages 14 and 15. 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.

**The School District as a Whole**

This year's financial statements were prepared on the modified cash basis utilizing the GASB34 format. Table 1 provides a summary of the School District's net assets for 2010 and 2009, comparatively.

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	2010	2009
<b>ASSETS</b>		
Cash & Investments	\$ 19,751,445	\$18,381,562
Total Assets	\$ 19,751,445	\$18,381,562
<b>NET ASSETS</b>		
Restricted for:		
Capital Outlay	\$ 905,079	\$ 753,879
Other Purposes	587,994	522,747
Budget Stabilization	490,091	490,091
Set Asides	244,430	57,952
Unrestricted	17,523,851	16,556,893
<b>Total Net Assets</b>	<b>\$19,751,445</b>	<b>\$18,381,562</b>

Net assets of the governmental activities increased \$1,369,883, which represents a 7% increase over the fiscal year 2009 balance.

**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal years 2010 and 2009, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**

<b>Governmental Activities</b>	<b>Governmental Activities</b>	
	<u>2010</u>	<u>2009</u>
<i>Program Receipts</i>		
Charges for Services	\$ 2,400,799	\$ 2,323,456
Operating Grants	2,129,249	1,601,055
Capital Grants	415,859	389,707
<i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	10,799,958	14,206,426
Capital Projects	875,176	907,590
Grants and Entitlements	8,942,581	8,042,880
Proceeds from Sale of Capital Assets	2,986	6,616
Other	<u>525,918</u>	<u>667,862</u>
<b>Total Receipts</b>	<b><u>26,092,526</u></b>	<b><u>28,145,592</u></b>
<i>Program Disbursements</i>		
Instruction	12,985,748	12,287,578
Support Services	8,757,649	8,559,969
Food Services	1,093,498	926,084
Non-instructional	366,402	240,692
Extracurricular	863,521	911,687
Capital Outlay	28,126	2,140,914
Repayment of Debt	<u>627,699</u>	<u>375,775</u>
<b>Total Disbursements</b>	<b><u>24,722,643</u></b>	<b><u>25,442,699</u></b>
<b>Increase in Net Assets</b>	<b><u>\$ 1,369,883</u></b>	<b><u>\$ 2,702,893</u></b>

**Governmental Activities**

Several receipt sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$11.7 million or 55% of general receipts in 2010. Grants and entitlements, also a large contributor, generated \$8.9 million, or 42% of general receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 20% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$12,985,748 or 53% of disbursements with program receipts funding 18% of those costs. Thus, general revenues were used to support the remainder of the instruction costs.

**Shawnee Local School District**  
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*Management's Discussion and Analysis*  
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*(Unaudited)*

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.

**(Table 3)**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2010	2009	2010	2009
Instruction	\$ 12,985,748	\$ 12,287,578	\$10,608,558	\$10,150,937
Support Services:				
Pupil and Instructional Staff	2,160,499	1,734,245	1,891,356	1,729,609
Board of Education, Administration, Fiscal and Central	2,413,617	2,451,709	2,292,787	2,420,318
Operation and Maintenance of Plant	3,051,877	2,921,776	2,708,323	2,550,620
Pupil Transportation	1,131,656	1,452,239	1,131,656	1,413,192
Food Services	1,093,498	926,084	(53,543)	(34,423)
Operation of Non-Instructional Services	366,402	240,692	37,550	(121,635)
Extracurricular Activities	863,521	911,687	504,224	503,174
Capital Outlay	28,126	2,140,914	28,126	2,140,914
Repayment of Debt	627,699	375,775	627,699	375,775
<b>Total</b>	<b>\$ 24,722,643</b>	<b>\$ 25,442,699</b>	<b>\$19,776,736</b>	<b>\$21,128,481</b>

Instruction and student support services comprise 61% of governmental program disbursements. Boards of Education, administration, fiscal and central charges were 10%. Pupil transportation and the operation/maintenance of facilities accounts for 17% of governmental program disbursements. 12% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay and debt service.

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has one major governmental fund: the General Fund. Receipts of the General Fund comprise \$21,292,658 (82%) of the total \$26,058,328 governmental funds' receipts and \$20,064,594 (81%) of the total \$24,722,643 governmental funds' disbursements.

**General Fund** – The General Fund cash balance at June 30, 2010 was \$17,958,371, which represents 91% of total governmental funds' cash balances for fiscal year 2010. General fund receipts were more than disbursements by \$853,435 as a result of decreased expenditures from special, other and pupil fees.

**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***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 2010, 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 \$21,292,658; \$27,726 under the final budget estimates of \$21,320,384. Of this decrease, most was attributable to a decrease in tuition and fees receipts. Budget basis actual disbursements were \$20,206,795; \$600,990 under the final budget estimates of \$20,807,785. 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**

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks. For fiscal year 2010, this amounted to \$419,498 for each set aside. Further information on statutory reserves can be found in Note 9 in the notes to the basic financial statements.

**Debt**

At June 30, 2010, the School District's outstanding debt included a HB 264 Energy Conservation Loan totaling \$671,717 for the purpose of providing energy conservation measures and a Tax Anticipation Note totaling \$1,680,000. During fiscal year 2010, the School District paid principal of \$46,296 on the HB 264 Loan and \$480,000 of principal on the Tax Anticipation Note.

Further information on the debt instruments can be found in Note 5 in the notes to the basic financial statements.

***Current Issues***

The School District faces deficit spending in the general fund beginning in Fiscal Year 2011 due to a lack of growth in revenue and increased costs fueled mainly by wages and health insurance. Several factors in the lack of revenue growth include decreased state funding, the loss of revenue due to the phase out of personal property taxes, decreased interest income due to low interest rates and very limited growth in the local tax base.

The decrease in state funding is of growing importance to the school district due to revisions to tax laws that eliminated personal property taxes. With these revisions, overall revenue will likely decrease over time, and a greater portion of the district's funding will be received from the State of Ohio, which makes it much more susceptible to reductions by the Governor or the State Legislature. The current two year state budget contains many provisions for future years that would likely lead to increased costs for the district. It is unknown how these mandates will be funded with the state of the current economy. This budget was only able to be funded due to an infusion of federal stimulus funds.

In terms of local taxes, current economic conditions have curtailed new building construction, which leads to less new growth in real estate tax collections. The county wide reappraisal of property valuations completed for 2009 resulted in a 1.5% increase in the district's total valuation. In the past, typical reappraisal's resulted in 5% to 10% increases in valuation.

**Shawnee Local School District**  
**Allen County**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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When looking at expenditures of the school district, approximately 80% are for employee wages and benefits. It's important to the Board of Education that the district is able to attract and keep excellent employees to continue on its mission of excellence. The board is also aware that the residents of the school district are experiencing tough times, so all efforts are and will be made to continue to operate the district on the current tax levies in place. Two emergency levies are currently in place, with the first raising \$2,880,000 per year, eligible to be renewed beginning in November 2011 and the second raising \$2,150,000 per year, eligible to be renewed beginning in November 2013.

As with district residents, the school's costs for utilities, fuel and most other supplies are increasing at a rate far greater than the rate of inflation and consume valuable resources that could be put to better use by the district. Of particular concern to the board is the increasing cost of health insurance. The district is a member of the Allen County Schools Health Insurance Consortium whose board of directors consists of the county school superintendents. The consortium board actively seeks to contain costs while providing quality care at a fair price to the member districts and its employees.

Aggressive cost cutting and cost containment measures undertaken by the district's administration and Board of Education in prior years have allowed the district to have a cash balance to withstand some deficit spending. This effort will continue and includes 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 District's mission of excellence. As with any organization, having expenditures that exceed revenue can only continue for a short period of time until an adjustment is made to either reduce expenditures or increase revenues.

The district's buildings are all over 30 years old and their maintenance is a concern of the Board of Education. The district currently ranks 514<sup>th</sup> out of 612 districts on the eligibility listing with the Ohio School Facilities Commission. When the district becomes eligible for funding, the current projection is for a 16% contribution from the State of Ohio. The Board of Education is cognizant of the fact that it's unlikely the district will be able to replace any of its current buildings in the near future. In order to maintain current facilities, the community has supported a permanent improvements levy that currently generates approximately \$1,250,000 per year. This levy can be renewed beginning in November 2012.

***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**  
**Allen County**  
*Statement of Net Assets - Modified Cash Basis*  
*June 30, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	<u>\$ 19,751,445</u>
<i>Total Assets</i>	<u><u>\$ 19,751,445</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	\$ 905,079
Other Purposes	587,994
Budget Stabilization	490,091
Set Asides	244,430
Unrestricted	<u>17,523,851</u>
<i>Total Net Assets</i>	<u><u>\$ 19,751,445</u></u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2010*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
<b>Governmental Activities:</b>					
Instruction					
Regular	\$ 9,507,373	\$ 1,266,932	\$ 63,520	\$ 0	\$ (8,176,921)
Special	2,239,622	34,634	1,007,588	0	(1,197,400)
Student Intervention Services	147,398	0	0	0	(147,398)
Other	1,091,355	0	4,516	0	(1,086,839)
Support Services					
Pupil	1,298,320	0	51,374	81,450	(1,165,496)
Instructional Staff	862,179	0	136,319	0	(725,860)
Board of Education	65,247	13,784	0	0	(51,463)
Administration	1,751,973	8,467	93,579	0	(1,649,927)
Fiscal	545,008	0	0	0	(545,008)
Operation and Maintenance of Plant	3,051,877	0	9,145	334,409	(2,708,323)
Pupil Transportation	1,131,656	0	0	0	(1,131,656)
Central	51,389	0	5,000	0	(46,389)
Operation of Non-Instructional Services	366,402	109,862	218,990	0	(37,550)
Food Services	1,093,498	632,430	514,611	0	53,543
Extracurricular Activities	863,521	334,690	24,607	0	(504,224)
Capital Outlay	28,126	0	0	0	(28,126)
Debt Service					
Principal	525,277	0	0	0	(525,277)
Interest	102,422	0	0	0	(102,422)
<b>Total Governmental Activities</b>	<b>\$ 24,722,643</b>	<b>\$ 2,400,799</b>	<b>\$ 2,129,249</b>	<b>\$ 415,859</b>	<b>(19,776,736)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
					10,799,958
					875,176
					8,942,581
					2,986
					490,967
					34,951
					<u>21,146,619</u>
					1,369,883
					<u>18,381,562</u>
					<u>\$ 19,751,445</u>

See accompanying notes to the basic financial statements.



**Shawnee Local School District**  
**Allen County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2010*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 17,223,850	\$ 1,793,074	\$ 19,016,924
Restricted:			
Cash and Investments	734,521	0	734,521
<i>Total Assets</i>	<u>\$ 17,958,371</u>	<u>\$ 1,793,074</u>	<u>\$ 19,751,445</u>
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	\$ 142,201	\$ 134,529	\$ 276,730
Budget Stabilization	490,091	0	490,091
Textbooks and Instructional Materials	244,430	0	244,430
Unreserved, Designated for:			
Severance and Termination	0	300,000	300,000
Unreserved, Undesignated, Reported in:			
General Fund	17,081,649	0	17,081,649
Special Revenue Funds	0	490,510	490,510
Capital Projects Funds	0	868,035	868,035
<i>Total Fund Balances</i>	<u>\$ 17,958,371</u>	<u>\$ 1,793,074</u>	<u>\$ 19,751,445</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County**  
*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Taxes	\$ 10,799,958	\$ 875,176	\$ 11,675,134
Intergovernmental	8,674,022	2,777,935	11,451,957
Interest	490,967	1,092	492,059
Tuition and Fees	1,301,566	109,862	1,411,428
Rent	13,784	0	13,784
Extracurricular Activities	0	334,690	334,690
Gifts and Donations	0	34,012	34,012
Customer Sales and Services	8,467	632,430	640,897
Miscellaneous	3,894	473	4,367
<i>Total Receipts</i>	<u>21,292,658</u>	<u>4,765,670</u>	<u>26,058,328</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	9,334,000	173,373	9,507,373
Special	1,307,847	931,775	2,239,622
Student Intervention Services	147,398	0	147,398
Other	1,091,355	0	1,091,355
Support Services:			
Pupil	1,250,098	48,222	1,298,320
Instructional Staff	638,600	223,579	862,179
Board of Education	65,247	0	65,247
Administration	1,483,294	268,679	1,751,973
Fiscal	394,479	150,529	545,008
Operation and Maintenance of Plant	2,708,323	343,554	3,051,877
Pupil Transportation	1,117,169	14,487	1,131,656
Central	46,086	5,303	51,389
Operation of Non-Instructional Services	0	366,402	366,402
Food Services Operation	0	1,093,498	1,093,498
Extracurricular Activities	480,698	382,823	863,521
Capital Outlay	0	28,126	28,126
Debt Service			
Principal	0	525,277	525,277
Interest	0	102,422	102,422
<i>Total Disbursements</i>	<u>20,064,594</u>	<u>4,658,049</u>	<u>24,722,643</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,228,064</u>	<u>107,621</u>	<u>1,335,685</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	957,700	957,700
Proceeds from the Sale of Capital Assets	2,250	736	2,986
Refund of Prior Year Disbursements	31,212	0	31,212
Transfers Out	(408,091)	(549,609)	(957,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(374,629)</u>	<u>408,827</u>	<u>34,198</u>
<i>Net Change in Fund Balances</i>	853,435	516,448	1,369,883
<i>Fund Balances - Beginning of Year</i>	<u>17,104,936</u>	<u>1,276,626</u>	<u>18,381,562</u>
<i>Fund Balances - End of Year</i>	<u>\$ 17,958,371</u>	<u>\$ 1,793,074</u>	<u>\$ 19,751,445</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balance- Budget and Actual-Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Receipts</b>				
Taxes	\$ 10,719,969	\$ 10,801,469	\$ 10,799,958	\$ (1,511)
Intergovernmental	8,621,308	8,685,724	8,674,022	(11,702)
Interest	487,525	487,525	490,967	3,442
Tuition and Fees	1,142,166	1,319,166	1,301,566	(17,600)
Rent	12,000	12,000	13,784	1,784
Customer Sales and Services	10,000	9,000	8,467	(533)
Miscellaneous	4,500	5,500	3,894	(1,606)
<i>Total Receipts</i>	<u>20,997,468</u>	<u>21,320,384</u>	<u>21,292,658</u>	<u>(27,726)</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	9,478,550	9,310,142	9,392,820	(82,678)
Special	1,554,439	1,530,529	1,312,531	217,998
Student Intervention Services	174,425	155,596	147,398	8,198
Other	938,646	1,092,646	1,092,755	(109)
Support Services				
Pupil	1,151,196	1,244,711	1,253,554	(8,843)
Instructional Staff	667,669	734,117	652,970	81,147
Board of Education	72,957	63,917	70,630	(6,713)
Administration	1,651,939	1,501,218	1,493,182	8,036
Fiscal	539,593	411,218	395,104	16,114
Operation and Maintenance of Plant	2,911,677	2,932,193	2,736,951	195,242
Pupil Transportation	1,187,171	1,230,690	1,132,116	98,574
Central	52,202	53,469	46,086	7,383
Extracurricular Activities	552,189	547,339	480,698	66,641
<i>Total Disbursements</i>	<u>20,932,653</u>	<u>20,807,785</u>	<u>20,206,795</u>	<u>600,990</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>64,815</u>	<u>512,599</u>	<u>1,085,863</u>	<u>573,264</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the Sale of Capital Assets	2,500	2,500	2,250	(250)
Refund of Prior Year Disbursements	10,000	31,000	31,212	212
Transfers Out	(108,091)	(408,091)	(408,091)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(95,591)</u>	<u>(374,591)</u>	<u>(374,629)</u>	<u>(38)</u>
<i>Net Change in Fund Balances</i>	(30,776)	138,008	711,234	573,226
<i>Fund Balances - Beginning of Year</i>	16,968,603	16,968,603	16,968,603	0
<i>Prior Year Encumbrances Appropriated</i>	136,333	136,333	136,333	0
<i>Fund Balances - End of Year</i>	<u>\$ 17,074,160</u>	<u>\$ 17,242,944</u>	<u>\$ 17,816,170</u>	<u>\$ 573,226</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2010*

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	Private Purpose Trust	Agency
<b>Assets</b>		
Equity Pooled in Cash and Investments	\$ 672,939	\$ 31,055
Investments	705,000	0
<i>Total Assets</i>	<b>\$ 1,377,939</b>	<b>\$ 31,055</b>
<b>Net Assets</b>		
Endowments	\$ 1,317,861	\$ 0
Held in Trust for:		
Scholarships	54,802	0
Other Purposes	5,267	0
Staff	9	0
Student Activities	0	31,055
<i>Total Net Assets</i>	<b>\$ 1,377,939</b>	<b>\$ 31,055</b>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County**  
*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2010*

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	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 35,169
Gifts and Contributions	1,165
<i>Total Additions</i>	36,334
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	46,032
<i>Total Deductions</i>	46,032
<i>Change in Net Assets</i>	(9,698)
<i>Net Assets - Beginning of Year</i>	1,387,637
<i>Net Assets - End of Year</i>	\$ 1,377,939

See accompanying notes to the basic financial statements.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**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 Local School District staffed by 155 certified teaching personnel and 129 non-certified support personnel to provide services to 2,588 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 insure 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 the 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 two jointly governed organizations and an insurance pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center and the Allen County Schools Health Benefit Plan. Information about these organizations is presented in Notes 10 and 11 of 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's policies.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**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 Sections 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.

Budgetary presentations report budgetary disbursements 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 disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

**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 business segment or 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 financial statement is on major funds. Each major fund is presented in a single column. Proprietary and 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 three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**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 criteria:

1. Total assets, receipts, or disbursements of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts, or disbursements of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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 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.

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 net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and a faculty fund.

**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.

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.



**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 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.

**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 and reported in the notes to the financial statements for proprietary funds.

**Shawnee Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*June 30, 2010*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Lapsing of Appropriations**

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

**D. Cash and Investments**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary 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 Investments."

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 presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not made from the pool 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 2010 were \$490,967, which includes \$44,571 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.

**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 are recorded as receipts when the grant is received.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 Receivables/Payables**

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

These transactions are not recorded as liabilities or assets in the accompanying 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 7 and 8, 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, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2010, the School District did not have any net assets 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 disbursement. 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 and budget stabilization. The designation for severance and termination represents monies set aside by the Board for the future payments of termination.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Receipts and Disbursements**

Program Receipts

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

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.

Capital Receipts and Disbursements

Capital receipts and disbursements result from receipts and disbursements related to capital and related financing or investing activities.

**N. Implementation of New Accounting Policies**

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*," GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*," and GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including 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 security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or 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);
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;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

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% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$7,803,839 and the bank balance was \$8,167,297. Of the bank balance, \$883,542 was covered by federal depository insurance and \$7,283,755 was uninsured and collateralized by a 105% public depository pool, which was collateralized with securities held by the 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, 2010, the School District had \$6,600 in undeposited cash on hand which is included in the fund balance.

***Investments***

Investments are reported at cost. As of June 30, 2010, the School District had the following investments:

	Cost as of 06/30/10	% of Total Investment	Maturities	
			1-5 Year	> 5 Years
Freddie Mac	\$ 3,000,000	22.47%	\$ 3,000,000	\$ 0
Fannie Mae	2,250,000	16.85	0	2,250,000
Federal Home Loan Mortgage Corporation	3,000,000	22.47	3,000,000	0
Federal National Mortgage Association	1,600,000	11.99	1,600,000	0
Federal Home Loan Bank	3,500,000	26.22	3,500,000	0
<b>Total Investments</b>	<b>\$13,350,000</b>	<b>100.00%</b>	<b>\$11,100,000</b>	<b>\$ 2,250,000</b>

***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 purchases 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.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

*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 US Government/Agency Bonds include securities in Freddie Mac, Fannie Mae, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Bank have a credit rating of AAA from Standard and Poor's.

*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% of the School District's investments are in Freddie Mac, Fannie Mae, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Bank. These investments are 22.47%, 16.85%, 22.47%, 11.99% and 26.22%, respectively, of the School District's total investments for the amounts listed above.

**NOTE 4 - PROPERTY TAXES**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 4 - PROPERTY TAXES – (continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 325,090,950	80.75%	\$ 326,624,540	79.95%
Industrial/Commercial	56,450,440	14.02%	61,285,670	15.00%
Public Utility	21,085,020	5.23%	20,601,590	5.05%
Total Assessed Value	<u>\$ 402,626,410</u>	<u>100.00%</u>	<u>\$ 408,511,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.26		\$ 35.15	

**NOTE 5 - DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2010 consisted of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/10</u>	<u>Due Within One Year</u>
HB264 Energy Conservation Loan	4.5%	\$ 718,013	\$ 0	\$ 46,296	\$ 671,717	\$ 48,403
Tax Anticipation Note	3.42%	2,160,000	0	480,000	1,680,000	480,000
		<u>\$ 2,878,013</u>	<u>\$ 0</u>	<u>\$ 526,296</u>	<u>\$ 2,351,717</u>	<u>\$ 528,403</u>

**HB264**-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.

**Tax Anticipation Note** - In June 2008 the School District received \$2,400,000 for the purpose of acquiring, constructing, remodeling, repairing, and/or equipping school building facilities and sites and the purchase of school buses at an interest rate of 3.42%. Semi-annual principal payments of \$240,000 will be made each March and September 1 throughout the term of the note. The note will be retired from the Debt Service Fund.

<u>Fiscal Year Ending June 30,</u>	<u>HB264</u>	<u>Tax Anticipation</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 48,403	\$ 480,000	\$ 83,041	\$ 611,444
2012	50,605	480,000	64,422	595,027
2013	52,908	480,000	45,703	578,611
2014	55,315	240,000	26,880	322,195
2015	57,833	0	20,259	78,092
2016-2020	331,120	0	59,336	390,456
2021	75,533	0	2,559	78,092
Total	<u>\$ 671,717</u>	<u>\$1,680,000</u>	<u>\$ 302,200</u>	<u>\$2,653,917</u>



**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 6 - 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 2010, the School District contracted with Ohio School Plan for property, liability and fleet 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 five years, nor has insurance coverage been significantly reduced in the past three years.

2. Workers' Compensation

For fiscal year 2010, 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 Benefit Plan (the "Plan"), a public entity shared risk pool consisting of school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Vision insurance is through Guardian.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

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](http://www.ohsers.org) under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. For fiscal year 2010, it was determined the employer contribution rate to pension and death benefits to be 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$437,507, \$308,547, and \$301,127, respectively; which equaled the required contributions each year.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 7 - DEFINED BENEFIT PENSION PLANS – (continued)**

**State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 7 - DEFINED BENEFIT PENSION PLANS – (continued)**

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment 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. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. 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.

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 DV 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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,295,084, \$1,221,647, and \$1,186,460, respectively; which equaled the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$7,254 made by the School District and \$10,156 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* will be available after December 31, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2009, three of the Board of Education members have elected social security.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 8 - POST EMPLOYMENT BENEFITS**

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

**State Teachers Retirement System**

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the 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. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The School District’s contributions to fund health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$99,622, \$93,972, and \$91,266, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009 (the latest information available), the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

**School Employees Retirement System**

***Medicare Part B Plan***

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS’ reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76 percent. The School District’s contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$26,018, \$22,231, and \$21,697, respectively, which equaled the required contributions for each year.

***Health Care Plan***

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO’s, PPO’s and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 8 - POST EMPLOYMENT BENEFITS – (continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46 percent. The School District's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$64,216, \$189,268, and \$183,144, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 9 - 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 2010, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following modified cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2010.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set Aside Reserve, June 30,2009	\$ 57,952	\$ 0	\$ 490,091
Current Year Set Aside Requirement Current Year	419,498	419,498	0
Qualifying Expenditures	(233,020)	(419,498)	0
Set Aside Reserve Balance June 30, 2010	\$ 244,430	0	\$ 490,091

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Maintenance Reserve. The carryover amount in the Capital Maintenance Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of bond proceeds that may be used as an off-set in future periods, which was \$2,400,000 at June 30, 2010.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS**

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (the "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.

**NOTE 11 – INSURANCE PURCHASING POOLS**

Allen County Schools Health Benefit Plan – The School District participates in the Allen County Schools Health Benefit Plan (the "program"), a public entity shared risk pool consisting of the school districts within Allen County. The Program is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustees, AFLAC and Allied Benefit Systems Inc., concerning aspects of the administration of the Trust.

**NOTE 12 – CONTRACTUAL COMMITMENTS**

At June 30, 2010, the list of outstanding contractual commitments is:

<u>Contractor/Vendor</u>	<u>Contracted Amount</u>	<u>Amount Payable</u>	<u>Description</u>
Bright Idea Service, LLC	\$15,846	\$15,846	Auditorium Sound System
Elida Building & Contracting	4,100	4,100	Elmwood Concrete Work
Frost Roofing, Inc.	3,555	3,555	Repair Elmwood Roof
Frost Roofing, Inc.	3,652	3,652	Repair Press Box Roof
Skelton's Inc.	16,838	16,838	Market Forge Gas Steamer

**NOTE 13 - CONTINGENCIES**

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**Shawnee Local School District  
Allen County**

*Notes To The Basic Financial Statements  
June 30, 2010*

**NOTE 14 – TRANSFERS**

During fiscal year 2010, the School District made transfers between funds as follows:

	Transfers-In	Transfers-Out
Governmental:		
General Fund	\$ 0	\$ 408,091
All Other Governmental Funds	957,700	549,609
Total Governmental	\$ 957,700	\$ 957,700

Transfers were made by the General Fund to move unrestricted balances to the Debt Service Fund to meet debt service requirements and to the Uniform School Supplies fund to cover obligations of that fund, during fiscal year 2010. Transfers were made from the Permanent Improvement Fund to the Debt Service Fund to meet debt service requirements.

**NOTE 15 – BUDGETARY BASIS OF ACCOUNTING**

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

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$142,201
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Shawnee Local School District  
Allen County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 27,883	\$ -	\$ 27,883	\$ -
National School Lunch Program	3L60	10.555	312,462	167,418	312,462	167,418
Total Nutrition Cluster			340,345	167,418	340,345	167,418
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
Title I Grants to Local Education Agencies	3M00	84.010	294,817	-	306,337	-
ARRA-Title 1 Grants to Local Education Agencies	3DK0	84.389	91,720	-	80,471	-
Total Title 1 Cluster			386,537	-	386,808	-
Special Education- Grants to States	3M20	84.027	551,422	-	516,981	-
ARRA-Special Education Grants to States	3DJ0	84.391	343,638	-	322,288	-
Total Special Education Cluster			895,060	-	839,269	-
ARRA-State Fiscal Stabilization Fund (SFSF)	GRF	84.394	272,920	-	272,920	-
Total SFSF Cluster			272,920	-	272,920	-
Safe and Drug Free Schools and Communities State Grants	3D10	84.186	5,499	-	6,336	-
State Grants for Innovative Programs	3M10	84.298	61	-	64	-
Education Technology State Grants	3S20	84.318	803	-	741	-
Improving Teacher Quality State Grants	3Y60	84.367	71,685	-	68,921	-
<b>Total United States Department of Education</b>			1,632,565	-	1,575,059	-
<b>Total Federal Financial Assistance</b>			<u>\$ 1,972,910</u>	<u>\$ 167,418</u>	<u>\$ 1,915,404</u>	<u>\$ 167,418</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.



**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

Program regulations do not require the School 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 entitlement value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Report on Internal Control Over Financial Reporting and Compliance and  
on Other Matters Required by *Government Auditing Standards***

Shawnee Local School District  
3255 Zurmehly Road  
Lima, Ohio 45806

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Shawnee Local School District, Allen County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010 wherein we noted that the School District follows the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and wherein we noted the School District implemented GASB Statements No. 51, No. 53, and No. 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

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

We also noted a certain matter, not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated December 22, 2010.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010



**Report on Compliance With Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

Shawnee Local School District  
3255 Zurmehly Road  
Lima, Ohio 45806

To the Board of Education:

**Compliance**

We have audited the compliance of the Shawnee Local School District, Allen County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Shawnee Local School District, Allen County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

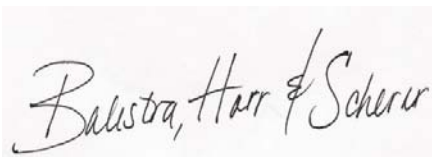
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal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

**Internal Control Over Compliance (Continued)**

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

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

We intend this report solely for the information and use of management, members of the Board, others within the School District, and federal awarding agencies and pass-through entities. It is not intended to for anyone other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010

SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY  
JUNE 30, 2010

SCHEDULE OF FINDINGS  
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 control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 Cluster CFDA #84.027, and 84.391; Title I, Part A Cluster, CFDA #84.010 and 84.389; State Fiscal Stabilization Fund, CFDA #84.394
(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, 2010

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

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

**Finding Number 2010-001**

**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  
OMB CIRCULAR A-133 SECTION .315(b)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	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 2010-001.





# Dave Yost • 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  
MARCH 24, 2011**