



OHIO AUDITOR OF STATE
KEITH FABER



**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Shawnee Local School District, Allen County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Shawnee Local School District, Allen County, Ohio, as of June 30, 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

March 30, 2020

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Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The discussion and analysis of the Shawnee Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. 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 fiscal year 2019 are as follows:

- In total, net position decreased \$1,755,833, which was a 14 percent decrease from 2018.
- Outstanding debt decreased from \$1,209,112 to \$844,206.

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 Position* and *Statement of Activities* provide information about the 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 non-major funds presented in total in one column. For fiscal year 2019, the General Fund is the School District's most significant fund.

Basis of Accounting

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

Essentially, the only asset reported on this strictly cash receipt and disbursement basis presentation in a Statement of Net Position will be cash and cash equivalents. The Statement of Activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. 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 cash basis of accounting.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position 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 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in position*. This change in net position 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 revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

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. The School District's fiduciary funds account for scholarships, endowments, staff and student activities.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to 2018.

(Table 1)
Net Position – Cash Basis

	Governmental Activities		
	2019	2018	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 10,485,322	\$ 12,241,155	(1,755,833)
Net Position			
Restricted for:			
Capital Outlay	\$ 603,802	\$ 444,687	159,115
Debt Service	5	471	(466)
Other Purposes	610,496	650,104	(39,608)
Unrestricted	9,271,019	11,145,893	(1,874,874)
<i>Total Net Position</i>	<u>\$ 10,485,322</u>	<u>\$ 12,241,155</u>	<u>(1,755,833)</u>

The Net Position of the governmental activities decreasing is the result of multiple factors as discussed further after Table 2.

A portion of the School District's net position, \$1,214,303 represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position may be used to meet the School District's ongoing obligations.

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Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2019 as compared to fiscal year 2018.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities		
	2019	2018	Change
Receipts			
Program Receipts			
Charges for Services and Sales	\$ 2,538,467	\$ 2,858,895	(320,428)
Operating Grants, Contributions and Interest	2,024,689	2,158,850	(134,161)
Capital Grants and Contributions	7,934	7,865	69
<i>Total Program Receipts</i>	<u>4,571,090</u>	<u>5,025,610</u>	<u>(454,520)</u>
General Receipts			
Property Taxes	13,024,743	12,952,733	72,010
Grants and Entitlements not Restricted to			
Specific Programs	8,092,644	8,204,854	(112,210)
Investment Earnings	215,623	148,329	67,294
Miscellaneous	240,512	210,603	29,909
<i>Total General Receipts</i>	<u>21,573,522</u>	<u>21,516,519</u>	<u>57,003</u>
<i>Total Receipts</i>	<u>26,144,612</u>	<u>26,542,129</u>	<u>(397,517)</u>
Program Disbursements			
Instruction:			
Regular	11,149,839	10,813,504	336,335
Special	2,772,090	2,899,748	(127,658)
Student Intervention Services	266,338	254,949	11,389
Other	1,749,761	1,884,242	(134,481)
Support Services:			
Pupils	1,725,890	1,626,411	99,479
Instructional Staff	661,408	817,200	(155,792)
Board of Education	82,039	122,660	(40,621)
Administration	1,854,240	1,874,247	(20,007)
Fiscal	557,805	544,812	12,993
Operation and Maintenance of Plant	2,820,745	2,768,061	52,684
Pupil Transportation	1,615,868	1,392,064	223,804
Central	66,459	65,605	854
Operation of Non-Instructional Services:			
Food Service Operations	950,847	957,526	(6,679)
Community Services	322,808	288,259	34,549
Extracurricular Activities	911,122	901,007	10,115
Capital Outlay	1,523	2,586	(1,063)
Debt Service:			
Principal Retirement	364,906	587,126	(222,220)
Interest and Fiscal Charges	26,757	37,018	(10,261)
<i>Total Program Disbursements</i>	<u>27,900,445</u>	<u>27,837,025</u>	<u>63,420</u>
<i>Change in Net Position</i>	<u>(1,755,833)</u>	<u>(1,294,896)</u>	<u>(460,937)</u>
<i>Net Position Beginning of Year</i>	<u>12,241,155</u>	<u>13,536,051</u>	<u>(1,294,896)</u>
<i>Net Position End of Year</i>	<u>\$ 10,485,322</u>	<u>\$ 12,241,155</u>	<u>(1,755,833)</u>

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

Total receipts decreased due to changes in funding from open enrollment in fiscal year 2019. Additionally, disbursements continue to outpace receipts.

Governmental Activities

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 revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2019	2018	2019	2018
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 11,149,839	\$ 10,813,504	\$ 9,500,801	\$ 8,897,322
Special	2,772,090	2,899,748	1,659,064	1,723,613
Student Intervention Services	266,338	254,949	250,327	254,949
Other	1,749,761	1,884,242	1,747,527	1,865,209
Support Services:				
Pupils	1,725,890	1,626,411	1,704,330	1,601,338
Instructional Staff	661,408	817,200	651,949	773,371
Board of Education	82,039	122,660	81,930	122,660
Administration	1,854,240	1,874,247	1,712,368	1,751,088
Fiscal	557,805	544,812	557,602	544,812
Operation and Maintenance of Plant	2,820,745	2,768,061	2,796,048	2,757,743
Pupil Transportation	1,615,868	1,392,064	1,586,934	1,369,429
Central	66,459	65,605	66,459	65,605
Operation of Non-Instructional Services:				
Food Service Operations	950,847	957,526	7,590	(31,813)
Community Services	322,808	288,259	71,946	(7,542)
Extracurricular Activities	911,122	901,007	545,114	501,648
Capital Outlay	1,523	2,586	(2,297)	(2,161)
Debt Service:				
Principal Retirement	364,906	587,126	364,906	587,126
Interest and Fiscal Charges	26,757	37,018	26,757	37,018
Total	\$ 27,900,445	\$ 27,837,025	\$ 23,329,355	\$ 22,811,415

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16 percent of all governmental expenses. The community is the largest area of support for the School District students.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$10,485,322, which is lower than the prior year balance of \$12,241,155.

The General Fund's fund balance decreased \$1,868,961 in fiscal year 2019. Despite the School District's conservative spending, disbursements still exceeded cash received into the General Fund, causing a negative change in fund balance.

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.

Original Budget Compared to Final Budget During the course of fiscal year 2019, there were no significant changes between the original budgeted receipts, disbursements, and other financing sources and uses and the final budgeted receipts, disbursements, and other financing sources and uses for the general fund.

Final Budget Compared to Actual Results For fiscal year 2019, there was a decrease between the final budgeted receipts and actual receipts due to a change in open enrollment funding. There was also a decrease between the final budgeted disbursements and actual disbursements due to conservative spending.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2019 and 2018.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2019	2018
Series 2014 Tax Anticipation Note	\$ 0	\$ 222,224
2013 HB264 Energy Conservation Note	675,000	750,000
2014 HB264 Energy Conservation Note	169,206	236,888
<i>Total</i>	\$ 844,206	\$ 1,209,112

For further information regarding the School District's debt, refer to Note 6 of the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

Current Issues

The School District experienced deficit spending in its general fund of \$1,868,961 for fiscal year 2019. This represents an increase from the previous year's deficit in the amount of \$1,385,394.

Shawnee Local School District's General Fund receipts decreased from fiscal year 2018. This slight decrease was primarily the result of changes in open enrollment funding and tax receipts, specifically the loss of Tangible Personal Property Tax Replacement. The historically low interest rate environment continues to depress returns on invested funds, however, a slight increase in interest revenue was earned. The economic outlook appears as though rates will remain at low but improving levels for Fiscal Year 2020.

Disbursements for the School District are consistent with industry standards. Staffing levels have remained constant, while retirements and cost controls implemented by the Allen County Health consortium maintain costs. As in all school districts, and vast majority of private enterprises, headcount related costs account for the highest percentage of expenditures. The School District spent approximately 73-76 percent of its annual budget on salaries, wages and benefits in fiscal year 2019.

In addition to the continuing millage from voted levies, Shawnee Local School District also receives receipts from two emergency levies. These consist of a ten year fixed amount levy for \$2,880,000 per year renewed in 2011, and a five year fixed amount levy for \$2,150,000 per year renewed in November 2018.

The School District continues to be a member in the Council of Allen County Schools Health Benefits Consortium. Membership consists of all local county school districts, the Apollo Career Center and the Allen County Educational Service Center. Its goal is to manage costs by providing quality care at a fair price to member districts. Experience to date has realized savings for district members due to lower than average increases in yearly health care premiums.

All of the School District's buildings are more than 40 years old and their maintenance is a major concern to the Board of Education. It is critical that facilities are secure, safe, structurally and operationally sound; therefore a permanent improvement levy has been approved by the School District voters since the early 1970's. This levy generates approximately \$1,000,000 annually for the School District to be used exclusively for buildings, grounds, textbooks and buses. As the Board understands that the construction of new facilities is unlikely in the near future, it is critical that funds are available to support our ongoing maintenance efforts.

In fiscal year 2015, the Maplewood Elementary building received a major upgrade to alleviate current leakage and infrastructure issues. The project consists of new HVAC equipment (replacing the original 30 year old equipment), new roof, interior lighting, flooring and safety equipment. Project completion and payments were made in fiscal years 2016 - 2019 (resulting in an increase in Capital Outlay disbursements over the course of the project). This project was financed by a tax anticipation note against the Permanent Improvement levy proceeds.

Every effort is being made to identify ways to improve facilities without increasing the tax burden on local residents.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)
(Continued)

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 Chris Cross, Treasurer of Shawnee Local School District, 3255 Zurmehly Rd., Lima, Ohio 45806.

Shawnee Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,485,322
<i>Total Assets</i>	10,485,322
Net Position	
Restricted for:	
Capital Outlay	603,802
Debt Service	5
Other Purposes	610,496
Unrestricted	9,271,019
<i>Total Net Position</i>	\$ 10,485,322

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 11,149,839	\$ 1,587,179	\$ 61,126	\$ 733	\$ (9,500,801)
Special	2,772,090	35,411	1,077,615	0	(1,659,064)
Student Intervention Services	266,338	0	16,011	0	(250,327)
Other	1,749,761	0	2,234	0	(1,747,527)
Support Services:					
Pupils	1,725,890	0	21,560	0	(1,704,330)
Instructional Staff	661,408	0	9,031	428	(651,949)
Board of Education	82,039	0	0	109	(81,930)
Administration	1,854,240	0	141,872	0	(1,712,368)
Fiscal	557,805	0	0	203	(557,602)
Operation and Maintenance of Plant	2,820,745	0	20,624	4,073	(2,796,048)
Pupil Transportation	1,615,868	0	26,546	2,388	(1,586,934)
Central	66,459	0	0	0	(66,459)
Operation of Non-Instructional Services:					
Food Service Operations	950,847	574,636	368,621	0	(7,590)
Community Services	322,808	0	250,862	0	(71,946)
Extracurricular Activities	911,122	337,653	28,355	0	(545,114)
Capital Outlay	1,523	3,588	232	0	2,297
Debt Service:					
Principal Retirement	364,906	0	0	0	(364,906)
Interest and Fiscal Charges	26,757	0	0	0	(26,757)
Totals	\$ 27,900,445	\$ 2,538,467	\$ 2,024,689	\$ 7,934	(23,329,355)
 General Receipts					
Property Taxes Levied for:					
General Purposes					12,092,896
Debt Service					223,888
Capital Outlay					707,959
Grants and Entitlements not Restricted to Specific Programs					8,092,644
Investment Earnings					215,623
Miscellaneous					240,512
Total General Receipts					21,573,522
Change in Net Position					(1,755,833)
Net Position Beginning of Year					12,241,155
Net Position End of Year					\$ 10,485,322

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,312,922	\$ 1,172,400	\$ 10,485,322
<i>Total Assets</i>	<u>\$ 9,312,922</u>	<u>\$ 1,172,400</u>	<u>\$ 10,485,322</u>
Fund Balances			
Nonspendable	\$ 11,353	\$ 0	\$ 11,353
Restricted	0	1,202,948	1,202,948
Committed	300,000	0	300,000
Assigned	3,638,692	0	3,638,692
Unassigned	<u>5,362,877</u>	<u>(30,548)</u>	<u>5,332,329</u>
<i>Total Fund Balances</i>	<u>\$ 9,312,922</u>	<u>\$ 1,172,400</u>	<u>\$ 10,485,322</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Change
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 12,092,896	\$ 931,847	\$ 13,024,743
Intergovernmental	8,527,052	1,546,206	10,073,258
Investment Income	215,623	18,258	233,881
Tuition and Fees	1,607,561	0	1,607,561
Extracurricular Activities	57,741	286,201	343,942
Gifts and Donations	5,815	31,524	37,339
Charges for Services	10,034	568,347	578,381
Rent	4,995	0	4,995
Miscellaneous	239,846	666	240,512
<i>Total Receipts</i>	<u>22,761,563</u>	<u>3,383,049</u>	<u>26,144,612</u>
Disbursements			
Current:			
Instruction:			
Regular	11,037,077	112,762	11,149,839
Special	2,241,057	531,033	2,772,090
Student Intervention Services	253,144	13,194	266,338
Other	1,747,687	2,074	1,749,761
Support Services:			
Pupils	1,705,870	20,020	1,725,890
Instructional Staff	616,340	45,068	661,408
Board of Education	72,780	9,259	82,039
Administration	1,722,144	132,096	1,854,240
Fiscal	540,515	17,290	557,805
Operation and Maintenance of Plant	2,457,026	363,719	2,820,745
Pupil Transportation	1,412,900	202,968	1,615,868
Central	66,459	0	66,459
Extracurricular Activities	590,026	321,096	911,122
Operation of Non-Instructional Services:			
Food Service Operations	0	950,847	950,847
Community Services	190	322,618	322,808
Capital Outlay	0	1,523	1,523
Debt Service:			
Principal Retirement	0	364,906	364,906
Interest and Fiscal Charges	0	26,757	26,757
<i>Total Disbursements</i>	<u>24,463,215</u>	<u>3,437,230</u>	<u>27,900,445</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,701,652)</u>	<u>(54,181)</u>	<u>(1,755,833)</u>
Other Financing Sources (Uses)			
Transfers In	83	167,392	167,475
Transfers Out	(167,392)	(83)	(167,475)
<i>Total Other Financing Sources (Uses)</i>	<u>(167,309)</u>	<u>167,309</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,868,961)	113,128	(1,755,833)
<i>Fund Balances Beginning of Year</i>	<u>11,181,883</u>	<u>1,059,272</u>	<u>12,241,155</u>
<i>Fund Balances End of Year</i>	<u>\$ 9,312,922</u>	<u>\$ 1,172,400</u>	<u>\$ 10,485,322</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Change
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 12,004,225	\$ 12,092,896	\$ 12,092,896	\$ 0
Intergovernmental	8,637,767	8,690,299	8,412,089	(278,210)
Investment Income	148,183	188,183	215,623	27,440
Tuition and Fees	1,910,272	1,910,687	1,494,029	(416,658)
Gifts and Donations	100	100	0	(100)
Charges for Services	20,181	20,181	10,034	(10,147)
Rent	3,855	6,855	4,995	(1,860)
Miscellaneous	5,415	12,415	11,964	(451)
<i>Total Receipts</i>	<u>22,729,998</u>	<u>22,921,616</u>	<u>22,241,630</u>	<u>(679,986)</u>
Disbursements				
Current:				
Instruction:				
Regular	11,149,616	11,149,618	10,938,315	211,303
Special	2,303,310	2,303,311	2,242,150	61,161
Vocational	54,000	54,000	49,894	4,106
Student Intervention Services	0	253,439	253,144	295
Other	2,146,213	1,892,774	1,748,193	144,581
Support Services:				
Pupils	1,734,648	1,734,647	1,707,045	27,602
Instructional Staff	663,861	663,861	637,350	26,511
Board of Education	107,316	107,316	72,780	34,536
Administration	1,757,050	1,757,051	1,727,328	29,723
Fiscal	576,203	576,202	547,861	28,341
Operation and Maintenance of Plant	2,737,909	2,737,909	2,468,695	269,214
Pupil Transportation	1,487,789	1,487,789	1,416,970	70,819
Central	67,301	67,301	66,459	842
Extracurricular Activities	537,987	537,987	516,669	21,318
Operation of Non-Instructional Services:				
Food Service Operations	200	200	190	10
<i>Total Disbursements</i>	<u>25,323,403</u>	<u>25,323,405</u>	<u>24,393,043</u>	<u>930,362</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,593,405)</u>	<u>(2,401,789)</u>	<u>(2,151,413)</u>	<u>250,376</u>
Other Financing Sources (Uses)				
Refund of Prior Year Disbursements	139,941	339,941	336,781	(3,160)
Transfers In	139	139	83	(56)
Transfers Out	(168,000)	(168,000)	(167,392)	608
<i>Total Other Financing Sources (Uses)</i>	<u>(27,920)</u>	<u>172,080</u>	<u>169,472</u>	<u>(2,608)</u>
<i>Net Change in Fund Balance</i>	<u>(2,621,325)</u>	<u>(2,229,709)</u>	<u>(1,981,941)</u>	<u>247,768</u>
<i>Fund Balance Beginning of Year</i>	10,647,867	10,647,867	10,647,867	0
Prior Year Encumbrances Appropriated	155,581	155,581	155,581	0
<i>Fund Balance End of Year</i>	<u>\$ 8,182,123</u>	<u>\$ 8,573,739</u>	<u>\$ 8,821,507</u>	<u>\$ 247,768</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,236,352	\$ 48,439
<i>Total Assets</i>	1,236,352	\$ 48,439
 Net Position		
Endowments	1,176,147	\$ 0
Held in Trust for Scholarships	60,196	0
Held for Student Activities	0	48,439
Held for Staff Awards	9	0
<i>Total Net Position</i>	\$ 1,236,352	\$ 48,439

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Interest	\$ 21,674
<i>Total Additions</i>	<i>21,674</i>
 Deductions	
Payments in Accordance with Trust Agreements	23,627
<i>Total Deductions</i>	<i>23,627</i>
 <i>Change in Net Position</i>	 (1,953)
 <i>Net Position Beginning of Year</i>	 1,238,305
 <i>Net Position End of Year</i>	 \$ 1,236,352

See accompanying notes to the basic financial statements.

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Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 School District is located in Allen and Auglaize Counties, and includes 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 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 Council of Allen County Schools Health Benefits Consortium. Information about these organizations is presented in Notes 13 and 14 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 cash basis of accounting. This 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 cash basis of accounting. Following are the more significant of the School District’s accounting policies.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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 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 Position* 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 Position* 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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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. 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 two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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 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 are at least 5 percent of the corresponding total for all funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

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

General Fund – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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 position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

C. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Allen County Budget Commission has waived the requirement that school districts adopt and submit a tax budget. In lieu of the tax budget, school districts are required to submit the five-year forecast, the current bond estimated fund balance, and bond amortization schedules. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level in the general fund and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in bank accounts. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to pool short term investments. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

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 cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as investments. During fiscal year 2019, investments were limited to negotiable certificates of deposit, STAR Plus, STAR Ohio, money market, and U.S. Government and Agencies Securities.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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 2019 were \$215,623, which includes \$1,150 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 cash basis of accounting used by the School District.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability on the 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 receipts 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.

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 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. Additional details about the School Districts interfund transactions are contained in Note 16 of the basic 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 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has, by resolution, authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2019, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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 the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation. 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 and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
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 for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed two hundred and seventy day in an amount not to exceed forty percent of the interim moneys available for investment at any one time (if training requirements have been met);
8. Time certificates of deposit or savings or deposit accounts including passbook accounts.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At June 30, 2019 the School District had \$2,600 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Deposits At year-end, \$410,226 of the School's bank balance of \$1,943,573 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the School District had the following investments:

	Measurement Value	% of Total Investments	Maturities	
			< 1 year	1 - 3 years
Cost:				
Money Markets	\$ 71,380	0.70%	\$ 71,380	\$ 0
Federal Home Loan Mortgage Corporation	1,228,242	12.09%	0	1,228,242
Federal Home Loan Bank	1,850,281	18.21%	0	1,850,281
Federal National Mortgage Association	507,098	4.99%	0	507,098
Federal Farm Credit Bank	1,783,474	17.55%	1,169,323	614,151
Freddie Mac	1,746,897	17.19%	622,037	1,124,860
Negotiable Certificates of Deposit	1,995,000	19.64%	1,747,000	248,000
US Treasury Note	547,098	5.38%		547,098
Net Asset Value (NAV):				
STAR Ohio	430,876	4.24%	430,876	0
Total Investments	\$ 10,160,346	100.00%	\$ 4,040,616	\$ 6,119,730

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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.

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's investments in US Government/Agency Bonds and Treasury Notes include securities in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal National Mortgage Association, Freddie Mac and Federal Farm Credit Bank that have credit ratings of AA+ and Aaa from S&P Global Ratings and Moody's Investor Services, respectively. The negotiable certificates of deposit are fully covered by FDIC. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days and carries a rating of AAAM by S&P Global Ratings.

Concentration Risk

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The percentage of the School District's total investment that each investment represents, are listed in the table on the previous page.

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Shawnee Local School District
Allen County, Ohio
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For the Fiscal Year Ended June 30, 2019
(Continued)

The School District receives property taxes from Allen and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 321,259,980	73.8%	\$ 348,235,950	75.1%
Industrial/Commercial	66,608,110	15.3%	67,435,160	14.5%
Public Utility	47,218,010	10.9%	48,100,990	10.4%
Total Assessed Value	\$ 435,086,100	100.0%	\$ 463,772,100	100.0%
Tax Rate per \$1,000 of Assessed Valuation	\$34.97		\$34.83	

NOTE 6 – DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2019 consisted of the following:

	Principal Outstanding 06/30/18	Additions	Reductions	Principal Outstanding 06/30/19	Due Within One Year	Due in More Than One Year
Direct Borrowings and Placements:						
Series 2014 Tax Anticipation Note	\$ 222,224	\$ 0	\$ 222,224	\$ 0	\$ 0	\$ 0
HB264 Energy Conservation Note - 2013	750,000	0	75,000	675,000	75,000	600,000
HB264 Energy Conservation Note - 2014	236,888	0	67,682	169,206	67,682	101,524
<i>Total</i>	\$ 1,209,112	\$ 0	\$ 364,906	\$ 844,206	\$ 142,682	\$ 701,524

HB264 - In July 2006, the School District received an \$845,157 unvoted general obligation note from Honeywell Global Finance for the purpose of providing energy conservation measures for the School District under HB264. The note was issued for a fifteen year period with final maturity July 1, 2021. The note was retired in April 2014 with the issuance of HB264 2014, see below for additional details. The note was retired from the Debt Service Fund.

In July 2013, the School District received a \$1,115,811 unvoted general obligation note from JPMorgan Chase Bank for the purpose of providing energy conservation measures for the School District under HB264. The note was issued for a fifteen year period with final maturity June 15, 2028. Semi-annual payments of \$37,500, including interest of 2.75 percent, will be made throughout the term of the note. The note is being retired from the Debt Service Fund.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

In April 2014, the School District received a \$473,775 unvoted general obligation note from JPMorgan Chase Bank to provide a refinance for the benefit of reduced interest rates, of the outstanding principal balance of the 2006 HB264 note. The note was issued for a seven year period with final maturity July 1, 2021. Semi-annual payments of \$33,841, including interest of 2.27 percent, will be made throughout the term of the note. The note is being retired from the Debt Service Fund.

Tax Anticipation Note - In March 2014, the School District received \$2,000,000 for the purpose of constructing, remodeling, repairing, and/or equipping school building facilities and sites and purchasing school buses at an interest rate of 1.50 percent. The note was issued for a five year period with final maturity September 1, 2018. Semi-annual principal payments of \$222,222 were made each March and September 1 throughout the term of the note. The note was retired from the Debt Service Fund.

Principal and interest requirements for payment of debt obligations as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	HB264	Interest	Total
2020	\$ 142,682	\$ 21,499	\$ 164,181
2021	142,682	17,902	160,584
2022	108,842	14,304	123,146
2023	75,000	11,860	86,860
2024	75,000	9,797	84,797
2025-2028	300,000	18,563	318,563
Total	<u>\$ 844,206</u>	<u>\$ 93,925</u>	<u>\$ 938,131</u>

NOTE 7 – OPERATING LEASES

In June 2013, the School District entered into a rental agreement with Perry ProTech for the rental of copier equipment and supplies. The original agreement was for the duration of 60 months at \$4,433 per month. During February 2014, the agreement was amended to include scanners at an additional charge of \$399 per month, for a total of \$4,832 per month for the remaining 52 months. In April 2016, the School District entered into a new rental agreement with Perry ProTech for the rental of copier equipment and supplies. The new agreement is for the duration of 60 months at \$6,609 per month. Monthly payments are made from the General Fund. In June 2019, the School District entered into a new rental agreement with Perry ProTech for the rental of copier equipment and supplies. The new agreement is for the duration of 60 months at \$8,831 per month. Monthly payments are made from the General Fund.

NOTE 8 – RISK MANAGEMENT

A. 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 2019, 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, as well as cyber and pollution claims. Settled claims have not exceeded the commercial coverage in any of the past three years, nor has insurance coverage been significantly reduced since the prior year.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

B. Workers' Compensation

For fiscal year 2019, the School District's Worker's Compensation managed care organization is Sheakley Uniservice, Inc.

In calendar year 2019, the School District will participate in a Group Experience Rating program.

C. 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, dental, vision, and life 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.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Funding Policy – 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. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District’s contractually required contribution to SERS was \$683,293 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. From August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices 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 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,585,672 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10957470%	0.09679062%	
Prior Measurement Date	0.11052700%	0.09655094%	
Change in Proportionate Share	-0.00095230%	0.00023968%	
Proportionate Share of the Net Pension Liability	\$ 6,275,546	\$ 21,282,084	\$ 27,557,630

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015, five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 8,839,580	\$ 6,275,546	\$ 4,125,775

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 31,079,682	\$ 21,282,084	\$ 12,989,747

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Note 10 - Defined Benefit OPEB Plans

Net OPEB Asset/Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB asset/liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Shawnee Local School District
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For the Fiscal Year Ended June 30, 2019
(Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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 2019, the School District's surcharge obligation was \$94,075.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$68,768 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Net OPEB Asset/Liability

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.11085640%	0.09679062%	
Prior Measurement Date	0.11214880%	0.09655094%	
Change in Proportionate Share	<u>-0.00129240%</u>	<u>0.00023968%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 3,075,456	\$ (1,555,000)	\$ 1,520,456

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 3,731,824	\$ 3,075,456	\$ 2,555,735
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,481,329	\$ 3,075,456	\$ 3,862,187

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00</u></u> %	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,333,060)	\$ (1,555,000)	\$ (1,742,130)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,731,585)	\$ (1,555,000)	\$ (1,376,322)

NOTE 11 – 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 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.

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2019.

	<u>Capital Maintenance Reserve</u>
Set Aside Restricted Balance June 30, 2018	\$ 0
Current Year Set Aside Requirement	456,011
Current Year Offsets	<u>(825,492)</u>
Total	<u>\$ (369,481)</u>
Balance Carried Forward to Fiscal Year 2020	<u>\$ 0</u>
Set Aside Restricted Balance June 30, 2019	<u>\$ 0</u>

The School District had offsets attributed to tax levy proceeds during the fiscal year that reduced the set aside amount below zero in the capital maintenance reserve. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 12 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:			
Unclaimed Monies	\$ 11,353	\$ 0	\$ 11,353
Restricted for:			
Debt Service	0	5	5
Permanent Improvements	0	603,802	603,802
Nature Trail	0	16,792	16,792
Food Service Operations	0	533,956	533,956
Extracurricular	0	24,381	24,381
Educational Activities	0	21,026	21,026
Other Purposes	0	2,986	2,986
Total Restricted	<u>0</u>	<u>1,202,948</u>	<u>1,202,948</u>
Committed for:			
Future Severance Payments	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total Committed	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Assigned for:			
Instruction	86,219	0	86,219
Support Services	54,618	0	54,618
Extracurricular	5,212	0	5,212
Subsequent Year Appropriations	<u>3,492,643</u>	<u>0</u>	<u>3,492,643</u>
Total Assigned	<u>3,638,692</u>	<u>0</u>	<u>3,638,692</u>
Unassigned	<u>5,362,877</u>	<u>(30,548)</u>	<u>5,332,329</u>
Total Fund Balance	<u>\$ 9,312,922</u>	<u>\$ 1,172,400</u>	<u>\$ 10,485,322</u>

For fiscal year 2019, the School District had a deficit fund balance of \$20,722 in the IDEA Part B Fund, \$9,648 in the Title I Fund, \$1 in the Improving Teacher Quality Fund, and \$177 in Miscellaneous Federal Grants Fund totaling \$30,548.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 13 – 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 School Districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of 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, 4277 East Road, Lima, OH 45807.

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, Maria Rellinger, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

NOTE 14 – INSURANCE PURCHASING POOL

Council of Allen County Schools Health Benefits Consortium – The School District participates in the Council of Allen County Schools Health Benefits Consortium (the “Consortium”), a public entity shared risk pool consisting of the school districts within Allen County. The Consortium 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 Directors which advises the Directors and Plan Manager, concerning aspects of the administration of the Consortium. Financial information can be obtained from 1920 Slabtown Rd., Lima, Ohio 45804.

NOTE 15 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2019 have been finalized and resulted in a payable to the School District totaling \$1,820. This amount was not reported on the financial statements.

D. Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 226,409
Nonmajor Governmental	464,037
	<u>\$ 690,446</u>

NOTE 16 – INTERFUND ACTIVITY

During fiscal year 2019 transfers were made from the General fund to the H.B. 264 fund for \$167,392 to meet debt service requirements and \$83 from the Debt Service fund to the General fund to move remaining funds after debt retirement.

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

The adjustments necessary to convert the results of operations for the year on the cash basis to the budget basis for the General Fund is as follows:

	<u>General Fund</u>
Cash Basis	\$ (1,868,961)
Funds Budgeted Elsewhere **	18,572
Adjustment for Encumbrances	(131,552)
Budget Basis	\$ (1,981,941)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes public school support funds, uniform school supplies funds, termination benefits funds, and unclaimed monies.

NOTE 18 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2019, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 19 – SUBSEQUENT EVENTS

The School District entered into an Enterprise Zone Agreement with Randall Bearings, Inc. with incentives for the development of an 80,000/90,000 square foot manufacturing and administration building to permit expansion of its product lines.

The exemption is for 95 percent of the taxable value of improvements for a period of 10 years.

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**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Food Distribution)			
School Breakfast Program	10.553		\$16,797
National School Lunch Program	10.555		67,188
Cash Assistance:			
School Breakfast Program	10.553		43,333
National School Lunch Program	10.555		309,268
Total Child Nutrition Cluster			<u>436,586</u>
Total U.S. Department of Agriculture			<u>436,586</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title 1 Grants to Local Educational Agencies	84.010	\$63,077	306,480
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027		497,662
Special Education Preschool Grants	84.173	13,596	13,596
Total Special Education Cluster			<u>511,258</u>
English Language Acquisition State Grants	84.365	\$828	828
Supporting Effective Instruction State Grants	84.367		52,370
Student Support and Academic Enrichment Program	84.424		16,496
Total U.S. Department of Education			<u>887,432</u>
Total Expenditures of Federal Awards			<u>\$1,324,018</u>

The accompanying notes are an integral part of this schedule.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Shawnee Local School District (the School District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

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

NOTE F – MATCHING REQUIREMENTS

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

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(continued)**

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$7,126
Special Education Grants to States	84.027	\$39,940
Supporting Effective Instruction State Grants	84.367	\$2,915
Student Support and Academic Enrichment Program	84.424	\$12,888

NOTE H – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center and the Mercer County Educational Service Center. For 2019, the School District's Allocation was as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Allocation</u>	<u>Administered By</u>
Title I Grants to Local Educational Agencies	84.010	\$63,077	Allen County ESC
Special Education Preschool Grants	84.173	\$13,596	Allen County ESC
English Language Acquisition State Grants	84.365	\$828	Mercer County ESC

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NorthwestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Shawnee Local School District, Allen County, Ohio (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 30, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 30, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Shawnee Local School District, Allen County, Ohio's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Shawnee Local School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on each Major Federal Program

In our opinion, Shawnee Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 30, 2020

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any 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 weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2019-001

Noncompliance

Ohio Rev. Code § 117.38(A) 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 Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumably material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response:

Shawnee Local School District will continue to report financial data in the same manner, until the Board directs the Treasurer to report using GAAP.

3. FINDINGS FOR FEDERAL AWARDS

None

SHAWNEE LOCAL SCHOOLS

BOARD OF EDUCATION
3255 ZURMEHLY RD.
LIMA, OH 45806-1499



CHRIS CROSS
TREASURER

TELEPHONE 419.998.8044
FAX 419.998.8050

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code § 117.38(A) and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. Finding was first reported in fiscal year 2003.	Not corrected and repeated in this report as Finding 2019-001.	The Board of Education does not wish to change the method of reporting.
2018-002	2 C.F.R. 200.430(a) and 2 C.F.R. 200.430(h)(8)(i)(1)(i-iii) – Semi-annual certifications were not signed for the first half of fiscal year 2018.	Corrective action taken and finding is fully corrected.	
2018-003	2 C.F.R. 200.305(b) and 2 C.F.R. 200.305(b)(1) – Grant funds were not expended in a timely manner.	Corrective action taken and finding is fully corrected.	

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number:	2019-001
Planned Corrective Action:	Shawnee Local School District will continue to report financial data in the same manner until the Board of Education directs the Treasurer to report on a GAAP basis.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Chris Cross, Treasurer, and Board of Education

OHIO AUDITOR OF STATE KEITH FABER



SHAWNEE LOCAL CITY 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
APRIL 9, 2020**