

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Shawnee Local School District, Allen County, prepared by Rea & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

February 20, 2002

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 5, 2001

To the Board of Education  
Shawnee Local School District  
3255 Zurmehly Road  
Lima, Ohio 45805

## **Independent Auditor's Report**

We have audited the accompanying general purpose financial statements of Shawnee Local School District as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Shawnee Local School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 5, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*Rea & Associates, Inc.*

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Assets and Other Debits:</u></b>			
<b><u>Assets:</u></b>			
Equity in Pooled Cash, Cash Equivalents & Investments	\$ 886,205	\$ 411,750	\$ 506,796
Restricted Cash & Investments	490,091	0	0
<b>Receivables:</b>			
Taxes	11,082,012	0	600,018
Accounts	1,167	152	0
Intergovernmental	50,284	0	0
Accrued Interest	30,000	0	0
Due From Other Funds	57,044	0	0
Prepaid Items	19,262	0	0
Inventory	84,051	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<b><u>Other Debits:</u></b>			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
<b>Total Assets and Other Debits</b>	<b><u><u>\$ 12,700,116</u></u></b>	<b><u><u>\$ 411,902</u></u></b>	<b><u><u>\$ 1,106,814</u></u></b>
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$ 138,084	\$ 4,710	\$ 8,245
Accrued Salaries and Benefits	1,187,146	14,869	0
Due to Other Funds	0	17,044	0
Due to Students	0	0	0
Compensated Absences Payable	25,081	0	0
Intergovernmental Payable	248,247	2,464	0
Deferred Revenue	10,246,181	0	600,018
Undistributed Monies	0	0	0
<b>Total Liabilities</b>	<b><u><u>11,844,739</u></u></b>	<b><u><u>39,087</u></u></b>	<b><u><u>608,263</u></u></b>
<b><u>Fund Equity and Other Credits:</u></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings	0	0	0
<b>Fund Balance:</b>			
Reserved for Encumbrances	532,583	103,680	277,162
Reserved for Inventory	84,051	0	0
Reserved for Prepaid Items	19,262	0	0
Reserved for Property Taxes	835,831	0	0
Reserved for Endowments	0	0	0
Reserved for Budget Stabilization	490,091	0	0
Reserved for Bus Purchase	20,615	0	0
Unreserved Fund Balance	(1,127,056)	269,135	221,389
<b>Total Fund Equity and Other Credits</b>	<b><u><u>855,377</u></u></b>	<b><u><u>372,815</u></u></b>	<b><u><u>498,551</u></u></b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b><u><u>\$ 12,700,116</u></u></b>	<b><u><u>\$ 411,902</u></u></b>	<b><u><u>\$ 1,106,814</u></u></b>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 244,605	\$ 1,337,633	\$ 0	\$ 0	\$ 3,386,989
0	0	0	0	490,091
0	0	0	0	11,682,030
536	0	0	0	1,855
144	0	0	0	50,428
0	0	0	0	30,000
0	0	0	0	57,044
0	0	0	0	19,262
10,952	0	0	0	95,003
35,278	0	13,159,709	0	13,194,987
0	0	0	1,209,173	1,209,173
<u>\$ 291,515</u>	<u>\$ 1,337,633</u>	<u>\$ 13,159,709</u>	<u>\$ 1,209,173</u>	<u>\$ 30,216,862</u>
				.
\$ 3,004	\$ 657	\$ 0	\$ 0	\$ 154,700
36,045	0	0	0	1,238,060
40,000	0	0	0	57,044
0	22,701	0	0	22,701
19,078	0	0	1,024,282	1,068,441
56,951	0	0	184,891	492,553
7,515	0	0	0	10,853,714
0	4,942	0	0	4,942
<u>162,593</u>	<u>28,300</u>	<u>0</u>	<u>1,209,173</u>	<u>13,892,155</u>
0	0	13,159,709	0	13,159,709
128,922	6,501	0	0	135,423
0	0	0	0	913,425
0	0	0	0	84,051
0	0	0	0	19,262
0	0	0	0	835,831
0	1,186,149	0	0	1,186,149
0	0	0	0	490,091
0	0	0	0	20,615
0	116,683	0	0	(519,849)
128,922	1,309,333	13,159,709	0	16,324,707
<u>\$ 291,515</u>	<u>\$ 1,337,633</u>	<u>\$ 13,159,709</u>	<u>\$ 1,209,173</u>	<u>\$ 30,216,862</u>

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**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<u>Revenues:</u>					
Taxes	\$ 10,350,408	\$ 0	\$ 621,721	\$ 0	\$ 10,972,129
Tuition and Fees	118,909	47	0	0	118,956
Intergovernmental	3,268,539	552,511	54,547	0	3,875,597
Interest	253,380	13,209	26,075	666	293,330
Extracurricular Activities	0	254,751	0	0	254,751
Miscellaneous	31,782	29,067	0	4,478	65,327
Total Revenues	<u>14,023,018</u>	<u>849,585</u>	<u>702,343</u>	<u>5,144</u>	<u>15,580,090</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,780,529	7,550	16,618	0	6,804,697
Special	964,459	133,926	0	0	1,098,385
Vocational	421	0	0	0	421
Other	32,568	0	0	0	32,568
Support Services:					
Pupils	626,423	9,574	0	0	635,997
Instruction	444,348	7,354	179,256	0	630,958
Board of Education	30,038	0	0	0	30,038
Administration	2,032,585	10,604	3,150	0	2,046,339
Fiscal	449,284	0	9,988	0	459,272
Operation and Maintenance	2,195,286	37,679	254,093	0	2,487,058
Transportation	877,278	0	0	0	877,278
Central	0	2,634	0	0	2,634
Non-Instructional Services	0	259,143	0	500	259,643
Extracurricular Activities	327,642	270,174	0	0	597,816
Capital Outlay	0	0	19,910	0	19,910
Total Expenditures	<u>14,760,861</u>	<u>738,638</u>	<u>483,015</u>	<u>500</u>	<u>15,983,014</u>
Excess of Revenues Over (Under) Expenditures	<u>(737,843)</u>	<u>110,947</u>	<u>219,328</u>	<u>4,644</u>	<u>(402,924)</u>
<u>Other Financing Sources:</u>					
Proceeds from Sale of Fixed Assets	<u>3,300</u>	<u>1,879</u>	<u>0</u>	<u>0</u>	<u>5,179</u>
Total Other Financing Sources	<u>3,300</u>	<u>1,879</u>	<u>0</u>	<u>0</u>	<u>5,179</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(734,543)</u>	<u>112,826</u>	<u>219,328</u>	<u>4,644</u>	<u>(397,745)</u>
Fund Balances at Beginning of Year	<u>1,589,920</u>	<u>259,989</u>	<u>279,223</u>	<u>14,651</u>	<u>2,143,783</u>
Fund Balances at End of Year	<u>\$ 855,377</u>	<u>\$ 372,815</u>	<u>\$ 498,551</u>	<u>\$ 19,295</u>	<u>\$ 1,746,038</u>

See Accompanying Notes to the General Purpose Financial Statements

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances-Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Year Ended June 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 10,623,486	\$ 10,623,486	\$ 0	\$ 0	\$ 0	\$ 0
Tuition and Fees	52,392	52,392	0	0	0	0
Intergovernmental	3,271,290	3,271,290	0	552,574	552,574	0
Interest	297,415	304,026	6,611	13,658	14,270	612
Extracurricular Activities	0	0	0	254,646	254,646	0
Miscellaneous	48,896	48,896	0	29,116	29,116	0
Total Revenues	<u>14,293,479</u>	<u>14,300,090</u>	<u>6,611</u>	<u>849,994</u>	<u>850,606</u>	<u>612</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	6,908,224	6,908,224	0	11,551	11,551	0
Special	979,286	979,286	0	151,489	151,489	0
Vocational	1,489	1,489	0	0	0	0
Other	38,890	38,890	0	0	0	0
Support Services:						
Pupils	617,687	617,687	0	10,444	10,444	0
Instruction	527,576	527,576	0	7,354	7,354	0
Board of Education	42,672	42,672	0	0	0	0
Administration	2,111,343	2,111,343	0	11,988	11,988	0
Fiscal	474,394	474,394	0	0	0	0
Operation and Maintenance	2,401,888	2,402,557	(669)	37,679	37,679	0
Transportation	981,519	981,519	0	0	0	0
Central	0	0	0	2,644	2,644	0
Non-Instructional Services	0	0	0	275,461	275,461	0
Extracurricular Activities	328,812	328,812	0	366,479	366,479	0
Capital Outlay	0	0	0	0	0	0
Total Expenditures	<u>15,413,780</u>	<u>15,414,449</u>	<u>(669)</u>	<u>875,089</u>	<u>875,089</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,120,301)</u>	<u>(1,114,359)</u>	<u>5,942</u>	<u>(25,095)</u>	<u>(24,483)</u>	<u>612</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	2,368	2,368	0	1,879	1,879	0
Refund of Prior Year Expenditures	23,741	23,741	0	789	789	0
Advances In	40,000	40,000	0	17,044	17,044	0
Refund of Prior Year Receipts	0	0	0	(63)	(63)	0
Advances Out	(57,044)	(57,044)	0	0	0	0
Total Other Financing Sources	<u>9,065</u>	<u>9,065</u>	<u>0</u>	<u>19,649</u>	<u>19,649</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,111,236)</u>	<u>(1,105,294)</u>	<u>5,942</u>	<u>(5,446)</u>	<u>(4,834)</u>	<u>612</u>
Prior Year Encumbrances Appropriated	582,477	582,477	0	84,720	84,720	0
Fund Balances at Beginning of Year	1,329,990	1,329,990	0	224,160	224,160	0
Fund Balances at End of Year	<u>\$ 801,231</u>	<u>\$ 807,173</u>	<u>\$ 5,942</u>	<u>\$ 303,434</u>	<u>\$ 304,046</u>	<u>\$ 612</u>

See Accompanying Notes to the General Purpose Financial Statements

Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 621,720	\$ 621,720	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
54,547	54,547	0	0	0	0
26,059	27,675	1,616	690	735	45
0	0	0	0	0	0
0	0	0	398	4,478	4,080
<u>702,326</u>	<u>703,942</u>	<u>1,616</u>	<u>1,088</u>	<u>5,213</u>	<u>4,125</u>
16,618	16,618	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
179,256	179,256	0	0	0	0
0	0	0	0	0	0
10,547	10,547	0	0	0	0
9,988	9,988	0	0	0	0
502,108	502,108	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	500	500	0
0	0	0	0	0	0
102,510	102,510	0	0	0	0
<u>821,027</u>	<u>821,027</u>	<u>0</u>	<u>500</u>	<u>500</u>	<u>0</u>
(118,701)	(117,085)	1,616	588	4,713	4,125
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(118,701)	(117,085)	1,616	588	4,713	4,125
183,511	183,511	0	0	0	0
154,963	154,963	0	14,581	14,581	0
<u>\$ 219,773</u>	<u>\$ 221,389</u>	<u>\$ 1,616</u>	<u>\$ 15,169</u>	<u>\$ 19,294</u>	<u>\$ 4,125</u>

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances-Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Year Ended June 30, 2001**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 11,245,206	\$ 11,245,206	\$ 0
Tuition and Fees	52,392	52,392	0
Intergovernmental	3,878,411	3,878,411	0
Interest	337,822	346,706	8,884
Extracurricular Activities	254,646	254,646	0
Miscellaneous	78,410	82,490	4,080
Total Revenues	<u>15,846,887</u>	<u>15,859,851</u>	<u>12,964</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,936,393	6,936,393	0
Special	1,130,775	1,130,775	0
Vocational	1,489	1,489	0
Other	38,890	38,890	0
Support Services:			
Pupils	628,131	628,131	0
Instruction	714,186	714,186	0
Board of Education	42,672	42,672	0
Administration	2,133,878	2,133,878	0
Fiscal	484,382	484,382	0
Operation and Maintenance	2,941,675	2,942,344	(669)
Transportation	981,519	981,519	0
Central	2,644	2,644	0
Non-Instructional Services	275,961	275,961	0
Extracurricular Activities	695,291	695,291	0
Capital Outlay	102,510	102,510	0
Total Expenditures	<u>17,110,396</u>	<u>17,111,065</u>	<u>(669)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,263,509)</u>	<u>(1,251,214)</u>	<u>12,295</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	4,247	4,247	0
Refund of Prior Year Expenditures	24,530	24,530	0
Advances In	57,044	57,044	0
Refund of Prior Year Receipts	(63)	(63)	0
Advances Out	(57,044)	(57,044)	0
Total Other Financing Sources	<u>28,714</u>	<u>28,714</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,234,795)</u>	<u>(1,222,500)</u>	<u>12,295</u>
Prior Year Encumbrances Appropriated	850,708	850,708	0
Fund Balances at Beginning of Year	<u>1,723,694</u>	<u>1,723,694</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,339,607</u>	<u>\$ 1,351,902</u>	<u>\$ 12,295</u>

See Accompanying Notes to the General Purpose Financial Statements

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Fund Balances-Budget and Actual (Budget Basis)**  
**Proprietary Fund Type and Nonexpendable Trust Funds**  
**For the Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Operating Revenues:</u>			
Sales	\$ 660,721	\$ 0	\$ 660,721
Interest/Unrealized Gains	0	66,454	66,454
Total Operating Revenues	<u>660,721</u>	<u>66,454</u>	<u>727,175</u>
<u>Operating Expenses:</u>			
Salaries	257,248	0	257,248
Fringe Benefits	91,852	0	91,852
Purchased Services	38,493	0	38,493
Materials and Supplies	357,813	0	357,813
Cost of Sales	65,054	0	65,054
Depreciation	2,323	0	2,323
Scholarships, Awards & Registrations	0	63,444	63,444
Capital Outlay	4,393	0	4,393
Total Operating Expenses	<u>817,176</u>	<u>63,444</u>	<u>880,620</u>
Operating Income (Loss)	<u>(156,455)</u>	<u>3,010</u>	<u>(153,445)</u>
<u>Non-Operating Revenues:</u>			
Interest/Unrealized Gains	8,176	0	8,176
Operating Grants	104,488	0	104,488
Federal Donated Commodities	66,107	0	66,107
Total Non-Operating Revenues	<u>178,771</u>	<u>0</u>	<u>178,771</u>
Net Income	22,316	3,010	25,326
Retained Earnings/Fund Balance at Beginning of Year	<u>106,606</u>	<u>1,287,028</u>	<u>1,393,634</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ 128,922</u>	<u>\$ 1,290,038</u>	<u>\$ 1,418,960</u>

See Accompanying Notes to the General Purpose Financial Statements

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Fund Equity-Budget (Non-GAAP Basis) and Actual-**  
**All Proprietary Fund Types and Similar Fiduciary Funds**  
**For the Year Ended June 30, 2001**

	Proprietary Fund Types		
	Enterprise Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$ 661,032	\$ 661,032	\$ 0
Federal and State Subsidies	119,925	119,925	0
Interest	8,488	9,032	544
Total Revenues	<u>789,445</u>	<u>789,989</u>	<u>544</u>
<u>Expenditures:</u>			
Salaries	251,256	251,256	0
Fringe Benefits	107,415	107,415	0
Purchased Services	31,126	31,126	0
Materials and Supplies	501,581	501,581	0
Miscellaneous	0	0	0
Capital Outlay	4,783	4,783	0
Total Expenditures	<u>896,161</u>	<u>896,161</u>	<u>0</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(106,716)	(106,172)	544
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	16,427	16,427	0
Advances Out	(40,000)	(40,000)	0
Advances In	40,000	40,000	0
Total Other Financing Sources	<u>16,427</u>	<u>16,427</u>	<u>0</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	(90,289)	(89,745)	544
Prior Year Encumbrances Appropriated	73,389	73,389	0
Fund Equity Beginning of Year	166,614	166,614	0
Fund Equity End of Year	<u>\$ 149,714</u>	<u>\$ 150,258</u>	<u>\$ 544</u>

See Accompanying Notes to the General Purpose Financial Statements

Non-Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 661,032	\$ 661,032	\$ 0
0	0	0	119,925	119,925	0
69,038	73,323	4,285	77,526	82,355	4,829
<u>69,038</u>	<u>73,323</u>	<u>4,285</u>	<u>858,483</u>	<u>863,312</u>	<u>4,829</u>
0	0	0	251,256	251,256	0
0	0	0	107,415	107,415	0
0	0	0	31,126	31,126	0
0	0	0	501,581	501,581	0
63,190	63,445	(255)	63,190	63,445	(255)
0	0	0	4,783	4,783	0
<u>63,190</u>	<u>63,445</u>	<u>(255)</u>	<u>959,351</u>	<u>959,606</u>	<u>(255)</u>
5,848	9,878	4,030	(100,868)	(96,294)	4,574
0	0	0	16,427	16,427	0
0	0	0	(40,000)	(40,000)	0
0	0	0	40,000	40,000	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>16,427</u>	<u>16,427</u>	<u>0</u>
5,848	9,878	4,030	(84,441)	(79,867)	4,574
254	254	0	73,643	73,643	0
1,279,906	1,279,906	0	1,446,520	1,446,520	0
<u>\$ 1,286,008</u>	<u>\$ 1,290,038</u>	<u>\$ 4,030</u>	<u>\$ 1,435,722</u>	<u>\$ 1,440,296</u>	<u>\$ 4,574</u>

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Combined Statement of Cash Flows**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 661,032	\$ 0	\$ 661,032
Cash Payments to Suppliers for Goods and Services	(424,516)	(63,444)	(487,960)
Cash Payments to Employees for Services	(251,256)	0	(251,256)
Cash Payments for Employee Benefits	(93,566)	0	(93,566)
Net Cash Used for Operating Activities	(108,306)	(63,444)	(171,750)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	104,487	0	104,487
Advances In	40,000	0	40,000
Advances Out	(40,000)	0	(40,000)
Net Cash Provided by (Used for) Noncapital Investing Activities	104,487	0	104,487
<u>Cash Flows from Capital Financing Activities:</u>			
Acquisition of Capital Assets	(16,426)	0	(16,426)
<u>Cash Flows from Investing Activities:</u>			
Interest/Unrealized Gains	8,177	73,321	81,498
Net Increase (Decrease) in Cash and Cash Equivalents	(12,068)	9,877	(2,191)
Cash and Cash Equivalents at Beginning of Year	256,673	1,280,161	1,536,834
Cash and Cash Equivalents at End of Year	\$ 244,605	\$ 1,290,038	\$ 1,534,643
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$ (156,455)	\$ 3,010	\$ (153,445)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	2,323	0	2,323
Donated Commodities Used During Year	66,107	0	66,107
Changes in Assets and Liabilities -			
Decrease in Accounts Receivable	310	0	310
Decrease in Intergovernmental Receivable	15,437	0	15,437
Increase in Commodities Inventory	(4,992)	0	(4,992)
Decrease in Accounts Payable	(36,251)	0	(36,251)
Increase in Accrued Salaries and Benefits	1,507	0	1,507
Increase in Compensated Absences Payable	3,082	0	3,082
Decrease in Intergovernmental Payable	(3,314)	0	(3,314)
Increase in Deferred Revenue	3,940	0	3,940
Interest Reported as Operating Income	0	(66,454)	(66,454)
Total Adjustments	48,149	(66,454)	(18,305)
Net Cash Used for Operating Activities	\$ (108,306)	\$ (63,444)	\$ (171,750)
<u>Reconciliation of Trust and Agency Funds:</u>			
Cash and Cash Equivalents - All Fiduciary Funds		\$ 1,337,633	
Cash and Cash Equivalents - Expendable Trust Funds		(47,595)	
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$ 1,290,038	

See Accompanying Notes to the General Purpose Financial Statements

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Description of the School

Shawnee Local School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the Local School District staffed by 140 certified teaching personnel and 100 non-certified support personnel to provide services to 2,600 students.

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

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Shawnee Local School District.

The following activities are included within the reporting entity:

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

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
**(continued)**

Reporting Entity (continued)

Charter School – Within the School District boundaries, the Golden Bridge Academy is operational. Current State legislation provides funding to this charter school. These monies are received and disbursed on behalf of the charter school by the Treasurer of the School District, as directed by the charter school. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with the Northwest Ohio Area Computer Services Cooperative, which is a joint venture, and the Apollo Joint Vocational School which is a joint governed organization. Information about these organizations is presented in notes N and O to the general purpose financial statements.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Shawnee Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation - Fund Accounting

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

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

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

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Fund Types

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

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except for those accounted for in the proprietary or trust funds.

Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and the non-expendable trust funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. This available period for the School District is sixty days after fiscal year end.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting (continued)

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, tax-payer-assessed income taxes, interest, grants, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Process (continued)

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

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

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

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

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations – Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Process (continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to commercial paper and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents (continued)

Investment earnings are allocated as authorized by state statute and Board Policy.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund typed when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represents amounts required by State statute to create a reserve for budget stabilization.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Prior to fiscal year 2001, the School District maintained a capitalization threshold of \$500. For fiscal year 2001 and future years, this threshold was changed to \$5,000. See a further explanation in Note D. The School District does not have any infrastructure.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fixed Assets and Depreciation (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture, equipment, and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements:

- General Fund
  - State Foundation Program
  - State Property Tax Relief
  - School Bus Purchase Reimbursement

Non-Reimbursable Grants:

- Special Revenue Funds
  - Auxiliary Service
  - Eisenhower Grant
  - Education Management Information Systems
  - Title I
  - Title VI
  - Title VI-B
  - Drug Free Schools
- Capital Projects Funds
  - School Net
  - School Net Plus
  - IVDL Grant

Reimbursable Grants:

- General Fund
  - Drivers Education
- Proprietary Funds
  - National School Lunch Program
  - Government Donated Commodities

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. Long-term interfund loans are classified as “advances to/from other funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

Accrued Liabilities and Long-term Obligations

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. The School District debt service fund had no activity during the year ending June 30, 2001.

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, property taxes, inventories of supplies and materials, long term advances to other funds, contributions to the nonexpendable trust fund that must be kept intact, a budget stabilization reserve, bus purchases and textbooks.

Estimates

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

Total Columns on General Purpose Financial Statements

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

**NOTE C – BUDGETARY BASIS OF ACCOUNTING**

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

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**NOTE C – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Fund Balance - GAAP Basis	\$ 855,377	\$ 372,815	\$ 498,551	\$ 19,295
Adjustments to GAAP Basis				
Revenue Accruals	(10,695,445)	(152)	(587,447)	0
Expenditure Accruals	11,216,364	39,087	595,692	0
Encumbrances	(567,381)	(107,704)	(285,407)	0
Market Value of Investment Adjustment	<u>(1,742)</u>	<u>0</u>	<u>0</u>	<u>(1)</u>
Budget Basis - Fund Balance	<u>\$ 807,173</u>	<u>\$ 304,046</u>	<u>\$ 221,389</u>	<u>\$ 19,294</u>

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**NOTE C – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

<u>Proprietary and Similar Fiduciary Funds</u>	<u>Enterprise</u>	<u>Non Expendable Trust</u>
Fund Balance - GAAP Basis	\$ 128,922	\$ 1,290,038
Adjustments to GAAP Basis		
Revenue Accruals	(46,910)	0
Expenditure Accruals	162,593	0
Encumbrances	(94,347)	0
Market Value of Investment Adjustment	<u>0</u>	<u>0</u>
Budget Basis - Fund Balance	<u>\$ 150,258</u>	<u>\$ 1,290,038</u>

**NOTE D – RESTATEMENT OF FUND EQUITY**

Fixed assets and accumulated depreciation in the enterprise funds decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$233,199, from \$404,960 to \$171,760, and accumulated depreciation decreased \$208,969, from \$359,555 to \$150,586. As a result of the restatement, retained earnings as previously reported as of June 30, 2000, decreased \$24,230 from \$130,836 to \$106,606, and the net loss as previously reported for the fiscal year ended June 30, 2000, increased from (\$9,232) to (\$33,462).

The fixed assets reported in the general fixed assets account group decreased \$3,831,982, from \$16,899,895 to \$13,067,913, due to the change in the threshold amount for capitalizing fixed assets.

**NOTE E – DEPOSITS AND INVESTMENTS**

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

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

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

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

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 the 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.

During fiscal year 2001, the School District's investments were limited to Federal Agency Securities, Commercial Paper and STAR Ohio. During the fiscal year, all investments of the School District had a maturity of two years or less.

At fiscal year end, the School District had \$2,067 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,767,390 and the bank balance was \$2,123,829. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,023,829 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

	Category 1	Category 2	Category 3	Carrying/ Market Value
Certificate of Deposit	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Federal Agency Security	250,297	0	0	250,297
STAR Ohio	\$ 750,297	\$ 0	\$ 0	1,357,326
Totals				\$ 2,107,623

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,877,080	\$ 0
Cash on Hand	(2,067)	0
Investments:		
Certificate of Deposit	(500,000)	500,000
Federal Agency Securities	(250,297)	250,297
STAR Ohio	(1,357,326)	1,357,326
GASB Statement 3	\$ 1,767,390	\$ 2,107,623

**NOTE F – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value lists as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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**NOTE F – PROPERTY TAXES (CONTINUED)**

The assessed values upon which the fiscal year 2001 taxes were collected are listed as follows:

	<u>2000 Second - Half Valuation</u>		<u>2001 First - Half Valuation</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 235,832,470	63.28%	\$ 252,874,620	63.96%
Public Utility Personal	28,529,400	7.66%	27,116,020	6.86%
Tangible Personal Property	<u>108,304,764</u>	<u>29.06%</u>	<u>115,350,611</u>	<u>29.18%</u>
Total Assessed Value	<u>\$ 372,666,634</u>	<u>100.00%</u>	<u>\$ 395,341,251</u>	<u>100.00%</u>
Effective Tax Rate Per \$1,000 of Assessed Valuation	\$33.35		\$33.35	

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

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

The School District receives property taxes from Allen and Auglaize Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30th is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Any amount available as an advance at June 30th is recognized as revenue.

**NOTE G - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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**NOTE G – RECEIVABLES (CONTINUED)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 50,284
Enterprise Fund	144
Total All Funds	<u>\$ 50,428</u>

**NOTE H – FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$188,187
Less Accumulated Depreciation	(152,909)
Net Fixed Assets	<u>\$35,278</u>

Summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$1,507,811	\$0	\$0	\$1,507,811
Buildings and Improvements	8,352,112	0	0	8,352,112
Furniture, Fixtures, and Equipment	1,426,979	5,249	6,392	1,425,836
Vehicles	1,781,011	92,939	0	1,873,950
Totals	<u>\$13,067,913</u>	<u>\$98,188</u>	<u>\$6,392</u>	<u>\$13,159,709</u>

**SHAWNEE LOCAL SCHOOL DISTRICT**  
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**NOTE I – EMPLOYEE BENEFITS**

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrative and classified employees earn up to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees as earned on a monthly basis and must be used within the next twenty-four months. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 days annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 260 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one fourth of the accumulated sick leave when an employee has 10 years with the School District. Certified employees are limited to a maximum of 53 paid days. Administrators receive 1/3 of unused days with no limit. Classified employees are limited to a maximum of 47 paid days.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

Early Retirement Incentive

The Shawnee Local School District approved an Early Retirement Incentive Program effective from January 5, 1999 through January 5, 2001. Participation was open to teachers and administrators who were eligible for retirement and agreed to submit their resignation to the Superintendent by March 1<sup>st</sup> of the first year they are eligible to retire.

Unless one or two years were waived by the employee, the Board provided for the purchase of three years of credit in the State Teachers' Retirement System (STRS) of Ohio for each employee who participated in the plan. The Board paid up to 50% of the employee's annual base salary as its contribution to the cost of the employee's participation in the plan. If the cost of purchasing the service credit is less than 50% of the employee's base salary, the difference shall be paid to the employee in cash as additional severance. The cost to fund this early retirement incentive was paid by the District during the current or the following fiscal year from its' general fund. This amounted to \$108,154 for the current fiscal year.

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**NOTE J – LONG-TERM DEBT**

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

	<u>Outstanding</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>June 30, 2000</u>
Intergovernmental Payables	\$ 171,497	\$ 13,394	\$ 0	\$ 184,891
Compensated Absences	<u>1,210,143</u>	<u>0</u>	<u>185,861</u>	<u>1,024,282</u>
Total General Long-Term Obligations	<u>\$ 1,381,640</u>	<u>\$ 13,394</u>	<u>\$ 185,861</u>	<u>\$ 1,209,173</u>

Compensated absences and intergovernmental payables will be paid from the fund in which the employees salary is paid. Compensated absences and intergovernmental payables additions and deletions have been netted because the calculation is an estimate making it impractical to determine.

**NOTE K – DEFINED BENEFIT PENSION PLANS**

School Employee Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ending June 30, 2001, 2000, and 1999 were \$421,057, \$377,485, and \$345,792, respectively. For fiscal year 2001, 34 percent has been contributed and 100 percent for the fiscal years 2000 and 1999. For fiscal year 2001, \$277,337 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

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**NOTE K – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

State Teachers Retirement System

The Shawnee Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that included financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Shawnee Local School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,084,098, \$1,021,344, and \$979,560, respectively. For fiscal year 2001, 89 percent has been contributed and 100 percent for the fiscal years 2000 and 1999. For fiscal year 2001, \$120,683 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid.

**NOTE L – POST EMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. For the School District, this amount equaled \$348,460 during fiscal year 2001.

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**NOTE L – POST EMPLOYMENT BENEFITS (CONTINUED)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 million at June 30, 2000 (latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE M – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The following table summarizes the more significant financial data relating to the Enterprise funds of the Shawnee Local School District for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>School Supplies</u>	<u>Enterprise Funds</u>
Operating Revenues	\$563,634	\$97,087	\$660,721
Operating Expenses Less Depreciation	703,186	111,667	814,853
Depreciation Expense	2,323	0	2,323
Operating Income (Loss)	(142,875)	(14,580)	(156,455)
Donated Commodities	66,107	0	66,107
Operating Grants	104,488	0	104,488
Interest	8,176	0	8,176
Net Income (Loss)	36,896	(14,580)	22,316
Net Working Capital	27,446	66,198	93,644
Total Assets	225,317	66,198	291,515
Total Equity	63,259	65,663	128,922
Encumbrances Outstanding at June 30, 2001	19,768	58,764	78,532

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**NOTE N – JOINT VENTURE**

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, 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 plus one representative from the fiscal agent. The School District has an equity interest that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of NOACSC upon dissolution. The agreement sets forth the method to determine each members' proportionate share.

NOACSC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**NOTE O – JOINTLY GOVERNED ORGANIZATIONS**

Apollo Joint Vocational School - The Apollo Joint Vocational School 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 Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**NOTE P - CONTINGENCIES**

Grants - The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**NOTE Q – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Commercial Insurers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by those insurers are as follows:

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**NOTE Q – RISK MANAGEMENT (CONTINUED)**

Building and Contents - replacement cost (\$2,500 deductible) \$53,422,489  
Earthquake (10% deductible) \$20,000,000  
Musical Instruments (\$100 deductible) \$251,700  
Inland Marine Coverage - Blanket \$139,311  
Fiber Optic – Blanket \$105,000  
Copiers – Blanket \$224,780  
Boiler and Machinery (\$2,500 deductible) No limit  
Employee Benefits Liability \$500,000  
Automobile Liability \$1,000,000  
Uninsured Motorists (each accident) \$1,000,000  
Public Employee Dishonesty \$10,000  
General Liability -  
    Per occurrence \$1,000,000  
    Aggregate \$5,000,000  
Umbrella -  
    Per occurrence \$1,000,000  
    Aggregate \$5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction on coverage from prior years.

The School District is a member of a cooperative group established to provide a minimum premium insurance fund to pay medical claims of the employees and their covered dependents, and to minimize the total cost of annual medical insurance to the District. The hospitalization, life, dental, and health insurance program operates under the control of a Board of Trustees representing the member schools. The plan is administered by CoreSource of Westerville, Ohio.

**NOTE R – ENDOWMENT FUND**

In 1996, Shawnee Local School District received a bequest from Beatrice M. Guyton to establish a scholarship fund. The Board created the Fund from which only investment earnings will be used for scholarships, the principal will remain intact.

In 1998, Shawnee Local School District received an endowment from Clarence M. Boger to award first year teachers who graduated from Shawnee Local School District. The awards will start in 2004 and will be based on the amount of interest that accumulates in the fund.

In 2000, the Lappin Scholarship Fund was established in honor of the first Superintendent of Shawnee Schools by his son.

**NOTE S – STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with this order.

In general, it is expected that the decision would result in an increase in State funding for most districts. However, as of December 5, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon reconsideration.

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

**NOTE T - SET ASIDE REQUIREMENTS**

The District is required by State law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$(136,427)	\$0	\$490,091
Current Year Set Aside	260,065	260,065	0
Current Year Offsets	0	(260,065)	0
Qualifying Expenditures	<u>279,944</u>	<u>0</u>	<u>0</u>
Balance June 30, 2001	<u><u>\$(156,306)</u></u>	<u><u>\$0</u></u>	<u><u>\$490,091</u></u>

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Allen County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2001**

**NOTE T - SET ASIDE REQUIREMENTS (CONTINUED)**

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve, which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies, which do not represent BWC refunds may be left in the budget reserve set-aside, returned to the General fund and used at the discretion of the District's Board of Education.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements for future years.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for budget stabilization	<u>\$ 490,091</u>
Total	<u>\$ 490,091</u>

**NOTE U – ACCOUNTABILITY AND COMPLIANCE**

Fund Deficit – The general fund, unreserved fund balance, had a deficit balance at June 30, 2001 of \$1,127,056 which primarily resulted from the reservation of property taxes available for advance. Expenditures exceeded revenues as the School District is spending its budget basis carryover balance. The Board of Education and Administrators are monitoring the situation and evaluating the need for an additional tax levy.

**NOTE V – CHANGE**

For fiscal year 2001, the School District has implemented Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement established accounting and reporting guidelines for non-exchange transactions in which a government receives or gives value without directly receiving (or giving) equal value in exchange. Implementation of this statement did not affect the financial statements as of June 30, 2000.

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 5, 2001

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

**Independent Auditor's  
Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the general purpose financial statements of Shawnee Local School District (the "District") as of and for the year ended June 30, 2001, and have issued our report thereon dated December 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District, in a separate letter dated December 5, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 5, 2001

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

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

Compliance

We have audited the compliance of Shawnee Local School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

*Rea & Associates, Inc.*

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards-Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
<b>U. S. Department of Education</b> (Passed Through State Department of Education):					
Title 1	84.010	C1-S1-01	\$ 78,026	\$ 52,921	\$ 0
Title 1	84.010	C1-SD-01	3,825	0	0
Title 1	84.010	C1-SD-99	(37)	0	0
<i>Total Title 1</i>			<u>81,814</u>	<u>52,921</u>	<u>0</u>
Title VI-B	84.027	6B-SF-01P	136,955	80,565	0
Title VI-B	84.027	6B-SF-00P	0	5,183	0
<i>Total Title VI-B</i>			<u>136,955</u>	<u>85,748</u>	<u>0</u>
Title VI	84.298	C2-S1-01	14,731	14,465	0
Title VI	84.298	C2-S1-00	0	783	0
Title VI	84.298	C2-S1-99C	0	309	0
<i>Total Title VI</i>			<u>14,731</u>	<u>15,557</u>	<u>0</u>
Title VI-R	84.340	CR-S1-01	8,368	0	0
Title VI-R	84.340	CR-S1-00	0	7,884	0
<i>Total Title VI-R</i>			<u>8,368</u>	<u>7,884</u>	<u>0</u>
Drug Free Schools	84.186	DR-S1-01	10,603	10,603	0
<i>Total Drug Free Schools</i>			<u>10,603</u>	<u>10,603</u>	<u>0</u>
Eisenhower Grant	84.281	MS-S1-01	6,619	7,354	0
Eisenhower Grant	84.281	MS-S4-00	1,000	573	0
Eisenhower Grant	84.281	MS-S1-99	(63)	0	0
<i>Total Eisenhower Grant</i>			<u>7,556</u>	<u>7,927</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>260,027</u>	<u>180,640</u>	<u>0</u>
<b>U. S. Department of Agriculture</b> (Passed Through State Department of Education):					
<i>Nutrition Cluster</i>					
Food Distribution Program (A) (B)	10.550		70,046	0	66,107
National School Lunch Program	10.555		129,652	129,652	0
Special Milk Program	10.556		1,390	1,390	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<u>201,088</u>	<u>131,042</u>	<u>66,107</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 461,115</u>	<u>\$ 311,682</u>	<u>\$ 66,107</u>

(A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis. At June 30, 2001, the District had \$7,515 of food commodities in inventory.

(B) Represents market value less cost.

See Accompanying Notes to the General Purpose Financial Statements

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**OMB Circular A-133, Section .505**  
**June 30, 2001**

1. Summary of Auditor's Results

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Vocational Education, CFDA # 84.027 Title 1, CFDA #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None were noted

3. Findings and Questioned Costs for Federal Awards

None were noted





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SHAWNEE LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 28, 2002**