

**Shawnee Local  
School District**

*Audited Financial Statements*

***For the Year Ended  
June 30, 2003***





**Auditor of State  
Betty Montgomery**

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, 2002 to June 30, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 16, 2004

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**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

December 10, 2003

The Board of Education  
Shawnee Local School District  
Lima, Ohio 45806

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Shawnee Local School District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District complied with this requirement in the prior year. However, as discussed in Note 1, the District prepared its current year financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2003, on our consideration of Shawnee Local School 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 *Governmental Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rea & Associates, Inc.*

**Shawnee Local School District**  
**Combined Statement of Cash Receipts, Disbursements**  
**and Changes in Fund Cash Balances**  
**All Governmental and Similar Fiduciary Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<u>Cash Receipts:</u>						
Property Taxes	\$10,959,128	\$ 0	\$ 110,864	\$ 542,071	\$ 0	\$ 11,612,063
Tuition and Fees	17,375	0	0	0	0	17,375
Intergovernmental	4,371,208	686,853	0	76,211	0	5,134,272
Interest	81,999	2,603	0	5,241	276	90,119
Extracurricular Activities	0	274,002	0	0	0	274,002
Miscellaneous	36,872	40,410	0	200	8,753	86,235
<b>Total Cash Receipts</b>	<b>15,466,582</b>	<b>1,003,868</b>	<b>110,864</b>	<b>623,723</b>	<b>9,029</b>	<b>17,214,066</b>
<u>Cash Disbursements:</u>						
Current:						
Instruction:						
Regular	7,400,647	75,213	0	220,250	0	7,696,110
Special	1,705,615	264,520	0	0	0	1,970,135
Vocational	551	0	0	0	0	551
Other	54,248	0	0	0	0	54,248
Support Services:						
Pupils	685,198	18,934	0	0	0	704,132
Instructional Staff	752,001	23,001	0	0	0	775,002
Board of Education	48,713	0	0	0	0	48,713
Administration	1,681,786	80,148	0	26,010	0	1,787,944
Fiscal	483,064	0	0	11,044	0	494,108
Operation and Maintenance of Plant	2,425,531	48,269	0	368,602	0	2,842,402
Transportation	864,851	0	0	147,442	0	1,012,293
Central Service	0	27,040	0	0	0	27,040
Non-Instructional Services	0	261,029	0	0	0	261,029
Extracurricular Activities	390,581	349,649	0	0	0	740,230
Debt Service:						
Principal Retirement	0	0	312,000	0	0	312,000
Interest and Fiscal Charges	0	0	10,920	0	0	10,920
<b>Total Cash Disbursements</b>	<b>16,492,786</b>	<b>1,147,803</b>	<b>322,920</b>	<b>773,348</b>	<b>0</b>	<b>18,736,857</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(1,026,204)</b>	<b>(143,935)</b>	<b>(212,056)</b>	<b>(149,625)</b>	<b>9,029</b>	<b>(1,522,791)</b>
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	5,928	618	0	0	0	6,546
Proceeds from Bond Sales	0	0	0	208,000	0	208,000
Refund of Prior Year Expenditures	39,250	0	0	0	0	39,250
Advances In	65,000	0	0	0	0	65,000
Operating Transfers In	0	0	208,000	0	0	208,000
Operating Transfers Out	0	0	0	(208,000)	0	(208,000)
<b>Total Other Financing Sources (Uses)</b>	<b>110,178</b>	<b>618</b>	<b>208,000</b>	<b>0</b>	<b>0</b>	<b>318,796</b>
<b>Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and other Financing Uses</b>	<b>(916,026)</b>	<b>(143,317)</b>	<b>(4,056)</b>	<b>(149,625)</b>	<b>9,029</b>	<b>(1,203,995)</b>
<b>Fund Cash Balances, July 1, 2002</b>	<b>1,797,566</b>	<b>390,727</b>	<b>114,920</b>	<b>520,237</b>	<b>19,654</b>	<b>2,843,104</b>
<b>Fund Cash Balances, June 30, 2003</b>	<b>\$ 881,540</b>	<b>\$ 247,410</b>	<b>\$ 110,864</b>	<b>\$ 370,612</b>	<b>\$ 28,683</b>	<b>\$ 1,639,109</b>
<b>Reserves for Encumbrances</b>	<b>\$ 388,583</b>	<b>\$ 68,202</b>	<b>\$ 0</b>	<b>\$ 369,041</b>	<b>\$ 0</b>	<b>\$ 825,826</b>

See Accompanying Notes to the Financial Statements.

**Shawnee Local School District**  
**Combined Statement of Cash Receipts, Disbursements**  
**and Changes in Fund Cash Balances**  
**All Proprietary and Similar Fiduciary Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

	Proprietary Fund Types		Non-Expendable Trust Funds	Agency Funds	Totals (Memorandum Only)
	Enterprise	Internal Service			
<u>Operating Cash Receipts:</u>					
Sales	\$ 671,832	\$ 0	\$ 0	\$ 0	\$ 671,832
Charges for Services	0	1,592,837	0	32,488	1,625,325
Total Operating Cash Receipts	<u>671,832</u>	<u>1,592,837</u>	<u>0</u>	<u>32,488</u>	<u>2,297,157</u>
<u>Operating Cash Disbursements:</u>					
Salaries	306,934	0	0	0	306,934
Fringe Benefits	101,212	0	0	0	101,212
Claims Expense	0	1,212,842	0	0	1,212,842
Purchases Services	45,998	163,247	0	0	209,245
Materials and Supplies	428,035	0	0	0	428,035
Miscellaneous	15,814	0	52,560	45,125	113,499
Capital Outlay	2,247	0	0	0	2,247
Total Operating Cash Disbursements	<u>900,240</u>	<u>1,376,089</u>	<u>52,560</u>	<u>45,125</u>	<u>2,374,014</u>
Operating (Loss)/Income	<u>(228,408)</u>	<u>216,748</u>	<u>(52,560)</u>	<u>(12,637)</u>	<u>(76,857)</u>
<u>Non-Operating Cash Receipts/(Disbursements)</u>					
Interest	2,333	0	17,177	0	19,510
Miscellaneous	0	0	0	17,031	17,031
Federal and State Subsidies	152,200	0	0	0	152,200
Advances Out	(40,000)	(25,000)	0	0	(65,000)
Refund of Prior Year Expenditures	384	0	0	0	384
Total Non-Operating Cash Receipts/(Disbursements)	<u>114,917</u>	<u>(25,000)</u>	<u>17,177</u>	<u>17,031</u>	<u>124,125</u>
Excess Cash Receipts Over/(Under) Cash Disbursements	(113,491)	191,748	(35,383)	4,394	47,268
Fund Cash Balances, July 1, 2002	<u>277,258</u>	<u>2,743</u>	<u>1,247,582</u>	<u>23,346</u>	<u>1,550,929</u>
<b>Fund Cash Balances, June 30, 2003</b>	<b><u>\$ 163,767</u></b>	<b><u>\$ 194,491</u></b>	<b><u>\$ 1,212,199</u></b>	<b><u>\$ 27,740</u></b>	<b><u>\$ 1,598,197</u></b>
Reserves for Encumbrances	<u>\$ 83,063</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,076</u>	<u>\$ 84,139</u>

See Accompanying Notes to the Financial Statements.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Shawnee Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the Local School District staffed by 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 composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Shawnee Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

Parochial Schools – Within the School District boundaries, Lima Central Catholic High School and St. Charles Elementary School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The 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**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 M and N to the general purpose financial statements.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District has chosen to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department.

**C. Cash and Investments**

State Treasury Asset Reserve of Ohio (STAROhio), U.S. Debt Securities and cash deposits are reported at cost.

**D. Fund Accounting**

The School District maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Funds**

The **General Fund** 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.

The **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.

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

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 or non-expendable trust funds.

**Proprietary Funds**

**Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Funds** are used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. This was created in fiscal year 2002 for the self-insurance fund effective in fiscal year 2003.

**Fiduciary Funds (Trust and Agency Funds)**

**Expendable Trust Funds** are used to account for resources restricted by legally binding trust agreements.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The **Non-expendable Trust Funds** are accounted for in essentially the same manner as the proprietary fund types.

The **Agency Funds** are used to account for assets held by the School District, an agent for individuals, private organizations, other governmental units, and/or other funds.

**E. Budgetary Process**

**1. Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the Allen County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year for rate determination.

**2. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budgeted receipts in Note 3 do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in Note 3 represent the final appropriation amounts including all amendments and modifications.

**4. Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**5. Compliance and Accountability**

The following funds had expenditures (including encumbrances) in excess of appropriations, at the legal level of appropriations for the year ended June 30, 2003:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Notes-Land Purchase Debt			
Service Fund	\$ 114,919	\$ 322,920	\$ (208,001)
Permanent Improvement Fund	1,132,418	1,350,389	(217,971)
Health Insurance Fund	1,265,000	1,401,089	(136,089)

**F. Property, Plant, and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

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

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**2. POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are 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 to School District's deposits is provided by the Federal Deposit Insurance Corporation, (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**2. POOLED CASH AND INVESTMENTS (CONTINUED)**

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, with the term of the agreement not exceeding 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, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** - At year-end, the carrying amount of the School District's deposits was \$2,369,667 and the bank balance was \$2,901,891, of which \$200,000 was covered by federal depository insurance and the balance collateralized by the financial institution's public entity deposit pool.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**2. POOLED CASH AND INVESTMENTS (CONTINUED)**

**Investments** - The District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at 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.

Statutory provisions require that all securities acquired by the School District be held by the School District treasurer or deposited with a qualified trustee. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 357,230	\$ 357,230	\$ 357,230
StarOhio		540,409	540,409
		\$ 897,639	\$ 897,639

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended June 30, 2003 as follows:

	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,461,368	\$ 15,576,760	\$ 115,392
Special Revenue	1,085,114	1,004,486	(80,628)
Debt Service	110,864	318,864	208,000
Capital Projects	623,482	831,723	208,241
Enterprise	822,465	826,749	4,284
Internal Service	1,565,623	1,592,837	27,214
Expendable Trust	9,060	9,029	(31)
Non-Expendable Trust	17,150	17,177	27
Agency	64,755	49,519	(15,236)
Total	\$ 19,759,881	\$ 20,227,144	\$ 467,263

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**3. BUDGETARY ACTIVITY (CONTINUED)**

	Appropriation	Cash Disbursements	Encumbrances	Total Expenditures	Variance
General	\$ 17,229,600	\$ 16,492,786	\$ 388,583	\$ 16,881,369	\$ 348,231
Special Revenue	1,311,031	1,147,803	68,202	1,216,005	95,026
Debt Service	114,919	322,920	0	322,920	(208,001)
Capital Projects	1,132,418	981,348	369,041	1,350,389	(217,971)
Enterprise	1,060,931	940,240	83,063	1,023,303	37,628
Internal Service	1,265,000	1,401,089	0	1,401,089	(136,089)
Non-Expendable Trust	60,056	52,560	0	52,560	7,496
Agency	60,535	45,125	1,076	46,201	14,334
Total	<u>\$ 22,234,490</u>	<u>\$ 21,383,871</u>	<u>\$ 909,965</u>	<u>\$ 22,293,836</u>	<u>\$ (59,346)</u>

**4. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Outstanding 6/30/2002	Additions	Deletions	Outstanding 6/30/2003
Bond Anticipation notes	<u>\$ 312,000</u>	<u>\$ 208,000</u>	<u>\$ 312,000</u>	<u>\$ 208,000</u>

Bond Anticipation Note - In fiscal year 2003, the \$312,000 Bond Anticipation Note was replaced with a payment of \$104,000 principle and a new \$208,000 Land Acquisition Bond Anticipation note dated August 8, 2002, maturing August 8, 2003 at 3.3% per annum, payable at maturity. The District issued renewal bond anticipation notes in July 2003 and anticipates refinancing the note annually.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the School District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**5. PROPERTY TAXES (CONTINUED)**

Public utility real and tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**6. DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 100 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and Shawnee Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and Shawnee Local School District are established and may be amended by the SERS' Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$474,394, \$440,984, and, \$420,896, respectively; 100 percent has been contributed for the fiscal years 2003, 2002 and 2001.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**6. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. STATE TEACHERS RETIREMENT SYSTEM (STRS)**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Shawnee Local School District is required to contribute an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Shawnee Local School District are established and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,112,584, \$1,095,906, and \$1,084,098.

**C. SOCIAL SECURITY SYSTEM**

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

**7. POSTEMPLOYMENT BENEFITS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**7. POSTEMPLOYMENT BENEFITS (CONTINUED)**

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$226,847.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS had approximately 50,000 participants currently receiving health care benefits.

**B. STATE TEACHERS RETIREMENT SYSTEM (STRS)**

The State Teachers Retirement System (STRS) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3,011 billion on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**8. JOINTLY GOVERNED ORGANIZATIONS**

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE (NOACSC)**

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 educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2003, the School District paid \$11,513 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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.

**9. INSURANCE POOLS**

**A. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (GRP) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the GRP. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**10. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**11. SET ASIDES**

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end. By resolution, the Board can eliminate the reserve in accordance with the act.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Set-Aside Cash Balance as of June 30, 2003	\$ 490,091	\$ 0	\$ 0	\$ 490,091
Set-Aside Carryover Balance as of June 30, 2003	0	0	(17,351)	(17,351)
Current Year Set-Aside Requirement	0	343,943	343,943	687,886
Qualifying Disbursements	0	(523,371)	(307,781)	(831,152)
Total	<u>\$ 490,091</u>	<u>\$ (179,428)</u>	<u>\$ 18,811</u>	<u>\$ 329,474</u>
Cash Balance Carried Forward FY 2004	<u>\$ 490,091</u>	<u>\$ 0</u>	<u>\$ 18,811</u>	<u>\$ 508,902</u>
Amount to Restrict for Set-Asides				<u>\$ 508,902</u>
Total Restricted Assets				<u>\$ 508,902</u>

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**11. SET ASIDES (CONTINUED)**

The School District had qualifying disbursements during the year that reduced the capital improvements below zero. This negative is not carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$508,902.

**12. CHANGE IN BASIS OF ACCOUNTING**

The School District previously reported under generally accepted accounting principles. Effective July 1, 2002, the School District is reporting under the method described in Note 1. Beginning balances were restated on the basis of accounting in Note 1. All revenue and expense adjustments due to the accrual basis of accounting were adjusted as follows:

Governmental Fund Types:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable</u>
GAAP Basis	\$ 1,489,652	\$ 368,644	\$ 114,920	\$ 507,691	\$ 19,654
Adjustments					
Revenue Accruals	11,177,624	0	103,428	522,727	0
Expense Accruals	<u>11,485,538</u>	<u>22,083</u>	<u>103,428</u>	<u>535,273</u>	<u>0</u>
Cash Basis	<u>\$ 1,797,566</u>	<u>\$ 390,727</u>	<u>\$ 114,920</u>	<u>\$ 520,237</u>	<u>\$ 19,654</u>

Proprietary Fund Types:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable</u>	<u>Agency</u>
GAAP Basis	\$ 170,990	\$ (5,180)	\$ 1,247,582	\$ 0
Adjustments				
Revenue Accruals	54,896	17,077	0	0
Expense Accruals	<u>161,164</u>	<u>25,000</u>	<u>0</u>	<u>23,346</u>
Cash Basis	<u>\$ 277,258</u>	<u>\$ 2,743</u>	<u>\$ 1,247,582</u>	<u>\$ 23,346</u>

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**13. SUBSEQUENT EVENT**

In December of 2003, the School District was informed the Premcor Lima Refinery had overstated its value of inventory included in the calculation of personal property taxes for the past several years. The School District is potentially liable to refund the overpayments and will see a reduction in the amount of personal property tax revenue in the future. It is uncertain the value of the potential refunds or reduction in future revenues for the School District. The School District is actively seeking solutions including levy options and budgetary cuts.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 10, 2003

The Board of Education  
Shawnee Local School District  
Lima, Ohio 45806

## **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 financial statements of Shawnee Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. We have 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 Shawnee Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Shawnee Local School District in a separate letter dated December 10, 2003.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Shawnee Local School 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 of 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Shawnee Local School District in a separate letter dated December 10, 2003.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding 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 10, 2003

The Board of Education  
Shawnee Local School District  
Lima, Ohio 45806

## **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 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Shawnee Local School District's major federal programs are 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 each of its major federal programs is the responsibility of Shawnee Local School District's management. Our responsibility is to express an opinion on Shawnee Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars 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 Shawnee Local School 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 Shawnee Local School District's compliance with those requirements.

In our opinion, Shawnee Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of Shawnee Local School 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 Shawnee Local School 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.

**Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis**

We have audited the financial statements of Shawnee Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of Shawnee Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information 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 - Cash Basis**  
**For the Fiscal Year Ended June 30, 2003**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>	<u>Non-cash Transactions</u>
<b>U.S. Department of Education</b>					
<i>(Passed through Ohio Department of Education):</i>					
Title 1	84.010	C1S1-2002	\$ 3,591	\$ 140	\$ 0
Title 1	84.010	C1S1-2003	95,444	95,444	0
Title 1 - JDC	84.010	C1SD-2002	(4,308)	414	0
Title 1 - JDC	84.010	C1SD-2003	22,966	21,173	0
			<u>117,693</u>	<u>117,171</u>	<u>0</u>
Title VI-B Special Education Grant	84.027	6BSF-2001	1,440	35,905	0
Title VI-B Special Education Grant	84.027	6BSF-2002	208,844	204,023	0
			<u>210,284</u>	<u>239,928</u>	<u>0</u>
Title V '02	84.298	C2S1-2002	0	450	0
	84.298	C2S1-2003	16,352	15,160	0
			<u>16,352</u>	<u>15,610</u>	<u>0</u>
Eisenhower Grant -FY'02	84.281	MSS1-2002	135	8,183	0
Drug Free '02	84.186	DRS1-2003	9,894	9,894	0
Title II-A Improving Teacher Quality	84.367	TRS1-2003	51,396	45,928	0
Raising the Bar	84.318	TJS1-2003	2,613	11,020	0
IDEA	84.352A	ATS1-2002	(48)	0	0
Assistive Technology Infusion Grant	84.352A	ATS2-2002	4,088	0	0
	84.352A	ATS3-2002	6,082	10,535	0
			<u>10,122</u>	<u>10,535</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>418,489</u>	<u>458,269</u>	<u>0</u>
<b>U.S. Department of Agriculture</b>					
<i>(Passed through Ohio Department of Education):</i>					
Food Distribution Program	10.550		101,179	0	101,179
School Lunch Program	10.555	LLP4-2002 & LLP4-2003	146,695	146,695	0
Special Milk Reimbursement	10.556	02PU-2002 & 02PU-2003	926	926	0
			<u>248,800</u>	<u>147,621</u>	<u>101,179</u>
<b>Total Department of Agriculture-Nutrition Cluster</b>			<u>248,800</u>	<u>147,621</u>	<u>101,179</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 667,289</u>	<u>\$ 605,890</u>	<u>\$ 101,179</u>

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**OMB Circular A-133, Section .505**  
**June 30, 2003**

1. Summary of Auditor's Results
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(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)?	Yes
(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):	Nutrition Cluster, CFDA #10.550, 10.555 and 10.556 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

**SHAWNEE LOCAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**OMB Circular A-133, Section .505**  
**JUNE 30, 2003**

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

**Finding 2003-001 Ohio Administrative Code Section 117-2-03**

Ohio Admin. Code Section 117-2-03 states the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2003, the District reported its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Finding 2003-002 Ohio Revised Code Section 5705.41(B) (repeat of 01-2)**

Ohio Rev. Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated. Where an account has had expenditures (including encumbrances) in excess of appropriations, this is a violation of this Code section. For the year ended June 30, 2003, the City had the following expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Debt Service – Bond Retirement – Notes Land Purchase Fund	\$ 114,919	\$ 322,920	\$ (208,001)
Capital Projects – Permanent Improvement Fund	1,132,418	1,350,389	(217,971)
Internal Service – Health Insurance Fund	1,265,000	1,401,089	(136,089)

3. Findings and Questioned Costs for Federal Awards
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None were noted

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2002-1	Payroll– Need to adhere to policies, employee contracts, and Board approval procedures for all employees.	Yes	



**Auditor of State  
Betty Montgomery**

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**SHAWNEE LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2004**