



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Members of 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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 23, 2012

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SHAWNEE LOCAL SCHOOL DISTRICT
Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

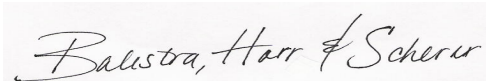
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position and the budgetary comparison of the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 2.N to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.



Balestra, Harr & Scherer, CPAs, Inc.
December 16, 2011

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Shawnee Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- q General Receipts accounted for \$20,795,792 or 81% of all receipts. Program specific receipts in the form of charges for services and sales, operating and capital grants, contributions and interest accounted for \$4,781,807 or 19% of total receipts of \$25,577,599.
- q The School District had \$25,478,058 in disbursements related to government activities.
- q The School District's major governmental fund is the general fund. The general fund had \$21,068,199 in receipts and other financing sources and \$21,038,797 in disbursements and other financing uses. The fund balance of the general fund increased from \$18,364,363 in fiscal year 2010 to \$18,393,765 in fiscal year 2011.
- q Net assets of Governmental Activities of the School District at June 30, 2011 totaled \$19,856,253.

Using this Annual Report

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

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

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

Basis of Accounting

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

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be pooled cash and cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of pooled cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 15 and 16. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

This year's financial statements were prepared on the modified cash basis utilizing the GASB34 format. Table 1 provides a summary of the School District's net assets for 2011 and 2010, comparatively.

(Table 1)
Net Assets

	Governmental Activities	
	2011	2010*
ASSETS		
Cash & Investments	\$ 19,856,253	\$19,756,712
Total Assets	\$ 19,856,253	\$19,756,712
NET ASSETS		
Restricted for:		
Capital Outlay	\$ 895,271	\$ 905,079
Other Purposes	673,209	593,261
Budget Stabilization	490,091	490,091
Set Asides	336,711	244,430
Unrestricted	17,460,971	17,523,851
Total Net Assets	\$19,856,253	\$19,756,712

* As Restated; see Note 3

Net assets of the governmental activities increased \$99,541, which represents a .5% increase over the fiscal year 2010 balance.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for fiscal years 2011 and 2010, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)

Governmental Activities	Governmental Activities	
	<u>2011</u>	<u>2010</u>
<i>Program Receipts</i>		
Charges for Services	\$ 2,362,333	\$ 2,400,799
Operating Grants	2,004,267	2,129,249
Capital Grants	415,207	415,859
<i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	10,766,715	10,799,958
Capital Projects	871,045	875,176
Grants and Entitlements	8,701,382	8,942,581
Proceeds from Sale of Capital Assets	5,357	2,986
Other	451,293	525,918
<i>Total Receipts</i>	<u>25,577,599</u>	<u>26,092,526</u>
<i>Program Disbursements</i>		
Instruction	13,671,509	12,985,748
Support Services	9,198,891	8,757,649
Food Services	946,655	1,093,498
Non-instructional	213,141	366,402
Extracurricular	831,332	863,521
Capital Outlay	5,087	28,126
Repayment of Debt	611,443	627,699
<i>Total Disbursements</i>	<u>25,478,058</u>	<u>24,722,643</u>
Increase in Net Assets	<u>\$ 99,541</u>	<u>\$ 1,369,883</u>

Governmental Activities

Several receipt sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$11.6 million or 46% of total receipts in 2011. Grants and entitlements, also a large source of receipts, generated \$8.7 million or 34% of total receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 19% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$13,671,509 or 54% of disbursements with program receipts funding 17% of those costs. Thus, general revenues were used to support the remainder of the instruction costs.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2011	2010	2011	2010
Instruction	\$ 13,671,509	\$ 12,985,748	\$11,411,954	\$10,608,558
Support Services:				
Pupil and Instructional Staff	2,268,074	2,160,499	2,097,308	1,891,356
Board of Education, Administration, Fiscal and Central	2,410,334	2,413,617	2,155,770	2,292,787
Operation and Maintenance of Plant	3,250,470	3,051,877	2,826,163	2,708,323
Pupil Transportation	1,270,013	1,131,656	1,270,013	1,131,656
Food Services	946,655	1,093,498	(11,674)	(53,543)
Operation of Non-Instructional Services	213,141	366,402	(112,894)	37,550
Extracurricular Activities	831,332	863,521	443,081	504,224
Capital Outlay	5,087	28,126	5,087	28,126
Repayment of Debt	611,443	627,699	611,443	627,699
Total	\$ 25,478,058	\$ 24,722,643	\$20,696,251	\$19,776,736

Instruction and student support services comprise 63% of governmental program disbursements. Board of Education, administration, and fiscal and central charges were 9%. Pupil transportation and the operation/maintenance of facilities accounts for 18% of governmental program disbursements. 10% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay, and debt service.

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. The School District has one major governmental fund: the General Fund. The assets of this fund at June 30, 2011 comprise \$18,393,765, or 93% of the \$19,856,253 in total governmental funds' assets.

General Fund – The General Fund balance at June 30, 2011 includes \$16,901,419 unassigned funds. General Fund receipts for fiscal year 2011 were \$20,976,408, or 82% of total governmental receipts of \$25,483,720. General Fund disbursements for fiscal year 2011 were \$20,960,706, or 82% of total governmental disbursements of \$25,478,058. From fiscal year 2010 to 2011 overall general fund receipts decreased by \$316,250, or 1.5% due to (a) reduction in State foundation funding (b) reduction in fixed rate reimbursements of tangible personal property tax losses and (c) reduction in interest rates with the average yield-to-maturity rate of 2.89% in 2010 lowering to 1.74% in 2011. Fiscal year 2011 general fund disbursements increased by \$896,112 over 2010, mostly attributable to increased instruction expenditures and support services to pupils and instruction staff.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund budget to reflect changing circumstances. The School District uses budgeting systems to tightly control total budgets but provide flexibility for management.

For the general fund, budget basis actual receipts and other financing sources were \$20,880,490; \$9,072 under the final budget estimates of \$20,889,562. Of this decrease, most was attributable to a decrease in tuition and fees receipts. Budget basis actual disbursements and other financing uses were \$21,035,267; \$382,371 under the final budget estimates of \$21,417,638. Of this decrease, most was due to a decrease in special instruction, support service of administration, and operation and maintenance of facilities.

Set Asides and Debt Administration

Set Asides

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks. For fiscal year 2011, this amounted to \$399,283 for each set aside. Further information on statutory reserves can be found in Note 11 in the notes to the basic financial statements.

Debt

At June 30, 2011, the School District's outstanding debt included a HB 264 Energy Conservation Loan totaling \$623,314 for the purpose of providing energy conservation measures, and a Tax Anticipation Note totaling \$1,200,000. During fiscal year 2011, the School District paid principal of \$48,403 on the HB 264 Loan and \$480,000 of principal on the Tax Anticipation Note.

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

Current Issues

The School District began deficit spending in the general fund in Fiscal Year 2011. The deficit spending resulted from a combination of decreasing revenue and increasing expenditures. The decrease in general fund revenue for Fiscal 2011 came even as the School District received approximately \$560,000 in Federal Stimulus Funding and Federal Education Jobs Bill Funding. For Fiscal Year 2012 and beyond the School District will see a further erosion of revenue as the federal funds will no longer be received and the newly enacted state budget freezes state foundation funding and reduces reimbursements received as a result of the elimination of the tangible personal property tax.

In terms of local taxes, current economic conditions have curtailed new building construction, which leads to less new growth in real estate tax collections. The county wide reappraisal of property valuations completed for 2009 resulted in a 1.5% increase in the School District's total valuation. In the past, typical reappraisal's resulted in 5% to 10% increases in valuation. For 2010 the School District's property valuation increased by less than 2/10th of a percent.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

When looking at expenditures of the School District, approximately 78% are for employee wages and benefits. It's important to the Board of Education that the School District is able to attract and keep excellent employees to continue on its mission of excellence. The board is also aware that the residents of the School District are experiencing tough times, so all efforts are and will be made to continue to operate the School District on the current tax levies in place. Two emergency levies are currently in place, with the first raising \$2,880,000 per year, eligible to be renewed beginning in November 2011 and the second raising \$2,150,000 per year, eligible to be renewed beginning in November 2013.

As with district residents, the School District's costs for utilities, fuel and most other supplies are increasing at a rate far greater than the rate of inflation and consume valuable resources that could be put to better use by the School District. Of particular concern to the board is the increasing cost of health insurance. The School District is a member of the Allen County Schools Health Insurance Consortium whose board of directors consists of the county school superintendents. The consortium board actively seeks to contain costs while providing quality care at a fair price to the member districts and its employees. In 2011 the consortium board has replaced its plan manager and discontinued the use of a third party administrator in processing claims in an effort to reduce costs.

Aggressive cost cutting and cost containment measures undertaken by the School District's administration and Board of Education in prior years have allowed the School District to have a cash balance to withstand some deficit spending. This effort will continue and includes a careful evaluation of all positions that are open due to retirement or resignation of employees. Positions are only filled after an evaluation reaffirms its importance to the School District's mission of excellence. After the 2010/2011 school year, 7 ½ teachers who retired or resigned were not replaced. Along with these staffing adjustments, the two employee bargaining units of the School District voted to forego a scheduled 3% raise for the 2011/2012 school year and also to extend their contract with no raise through the 2013/2014 school year. As with any organization, having expenditures that exceed revenue can only continue for a short period of time until an adjustment is made to either reduce expenditures or increase revenues.

The School District's buildings are all over 30 years old and their maintenance is a concern of the Board of Education. The School District currently ranks 514th out of 612 districts on the eligibility listing with the Ohio School Facilities Commission. When the School District becomes eligible for funding, the current projection is for a 16% contribution from the State of Ohio. The Board of Education is cognizant of the fact that it's unlikely the School District will be able to replace any of its current buildings in the near future. In order to maintain current facilities, the community has supported a permanent improvements levy that currently generates approximately \$1,250,000 per year. The recently enacted state budget will reduce this funding by approximately \$66,000 in fiscal year 2012 and by \$132,000 in Fiscal Year 2013. From this point forward the levy would generate approximately \$1,120,000 per year. This levy can be renewed beginning in November 2012.

Contacting the School District's Financial Management

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

Shawnee Local School District
Allen County
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 19,856,253
<i>Total Assets</i>	\$ 19,856,253
Net Assets	
Restricted for:	
Capital Outlay	\$ 895,271
Other Purposes	673,209
Budget Stabilization	490,091
Set Asides	336,711
Unrestricted	17,460,971
<i>Total Net Assets</i>	\$ 19,856,253

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Cash Disbursements	Charges for Services and Sales	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
			Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
Governmental Activities:					
Instruction					
Regular	\$ 10,149,283	\$ 1,253,793	\$ 70,760	\$ 0	\$ (8,824,730)
Special	2,105,807	9,661	920,791	0	(1,175,355)
Student Intervention Services	187,496	0	0	0	(187,496)
Other	1,228,923	0	4,550	0	(1,224,373)
Support Services					
Pupils	1,336,585	0	66,903	0	(1,269,682)
Instructional Staff	931,489	0	103,863	0	(827,626)
Board of Education	54,093	12,643	0	0	(41,450)
Administration	1,758,763	0	228,075	0	(1,530,688)
Fiscal	535,655	8,846	0	0	(526,809)
Operation and Maintenance of Plant	3,250,470	0	9,100	415,207	(2,826,163)
Pupil Transportation	1,270,013	0	0	0	(1,270,013)
Central	61,823	0	5,000	0	(56,823)
Operation of Non-Instructional Services	213,141	104,783	221,252	0	112,894
Food Services	946,655	610,074	348,255	0	11,674
Extracurricular Activities	831,332	362,533	25,718	0	(443,081)
Capital Outlay	5,087	0	0	0	(5,087)
Debt Service					
Principal	528,403	0	0	0	(528,403)
Interest	83,040	0	0	0	(83,040)
Total Governmental Activities	<u>\$ 25,478,058</u>	<u>\$ 2,362,333</u>	<u>\$ 2,004,267</u>	<u>\$ 415,207</u>	<u>(20,696,251)</u>

General Receipts

Property Taxes Levied for:

General Purposes	10,766,715
Capital Projects	871,045
Grants and Entitlements not Restricted to Specific Programs	8,701,382
Proceeds from Sale of Capital Assets	5,357
Interest	360,946
Miscellaneous	90,347

Total General Receipts 20,795,792

Change in Net Assets 99,541

Net Assets Beginning of Year - Restated (Note 3) 19,756,712

Net Assets End of Year \$ 19,856,253

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 17,561,696	\$ 1,462,488	\$ 19,024,184
Restricted:			
Cash and Investments	832,069	0	832,069
<i>Total Assets</i>	<u>\$ 18,393,765</u>	<u>\$ 1,462,488</u>	<u>\$ 19,856,253</u>
Fund Balances			
Restricted	\$ 832,069	\$ 1,462,488	\$ 2,294,557
Committed	437,603	0	437,603
Assigned	222,674	0	222,674
Unassigned	16,901,419	0	16,901,419
<i>Total Fund Balances</i>	<u>\$ 18,393,765</u>	<u>\$ 1,462,488</u>	<u>\$ 19,856,253</u>

See accompanying notes to the basic financial statements..

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Taxes	\$ 10,766,715	\$ 871,045	\$ 11,637,760
Intergovernmental	8,374,271	2,703,535	11,077,806
Interest	360,946	2,018	362,964
Tuition and Fees	1,368,236	0	1,368,236
Rent	12,643	0	12,643
Extracurricular Activities	61,171	302,296	363,467
Gifts and Donations	21,755	18,390	40,145
Customer Sales and Services	8,846	609,140	617,986
Miscellaneous	1,825	888	2,713
<i>Total Receipts</i>	<u>20,976,408</u>	<u>4,507,312</u>	<u>25,483,720</u>
Disbursements			
Current:			
Instruction:			
Regular	9,911,756	237,527	10,149,283
Special	1,289,097	816,710	2,105,807
Student Intervention Services	187,496	0	187,496
Other	1,228,923	0	1,228,923
Support Services:			
Pupils	1,292,592	43,993	1,336,585
Instructional Staff	661,580	269,909	931,489
Board of Education	54,093	0	54,093
Administration	1,138,576	620,187	1,758,763
Fiscal	515,523	20,132	535,655
Operation and Maintenance of Plant	2,832,045	418,425	3,250,470
Pupil Transportation	1,221,682	48,331	1,270,013
Central	56,742	5,081	61,823
Operation of Non-Instructional Services	0	213,141	213,141
Food Services Operation	0	946,655	946,655
Extracurricular Activities	570,601	260,731	831,332
Capital Outlay	0	5,087	5,087
Debt Service:			
Principal	0	528,403	528,403
Interest	0	83,040	83,040
<i>Total Disbursements</i>	<u>20,960,706</u>	<u>4,517,352</u>	<u>25,478,058</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,702</u>	<u>(10,040)</u>	<u>5,662</u>
Other Financing Sources (Uses)			
Transfers In	0	611,443	611,443
Proceeds from the Sale of Capital Assets	3,269	2,088	5,357
Refund of Prior Year Disbursements	88,522	0	88,522
Transfers Out	(78,091)	(533,352)	(611,443)
<i>Total Other Financing Sources (Uses)</i>	<u>13,700</u>	<u>80,179</u>	<u>93,879</u>
<i>Net Change in Fund Balances</i>	29,402	70,139	99,541
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>18,364,363</u>	<u>1,392,349</u>	<u>19,756,712</u>
<i>Fund Balances End of Year</i>	<u>\$ 18,393,765</u>	<u>\$ 1,462,488</u>	<u>\$ 19,856,253</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Fund Balance- Budget and Actual-Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Taxes	\$ 10,842,729	\$ 10,769,045	\$ 10,766,715	\$ (2,330)
Intergovernmental	8,369,229	8,377,279	8,374,271	(3,008)
Interest	517,289	357,322	360,946	3,624
Tuition and Fees	1,317,166	1,264,166	1,263,453	(713)
Rent	14,000	14,000	12,643	(1,357)
Customer Sales and Services	9,000	9,000	8,846	(154)
Miscellaneous	5,500	5,500	1,825	(3,675)
<i>Total Receipts</i>	<u>21,074,913</u>	<u>20,796,312</u>	<u>20,788,699</u>	<u>(7,613)</u>
Disbursements				
Current:				
Instruction				
Regular	9,845,691	9,863,629	9,877,598	(13,969)
Special	1,599,517	1,460,211	1,296,883	163,328
Student Intervention Services	164,918	164,013	187,496	(23,483)
Other	1,127,205	1,231,205	1,228,923	2,282
Support Services				
Pupils	1,309,394	1,301,894	1,297,093	4,801
Instructional Staff	779,201	788,826	669,313	119,513
Board of Education	65,384	72,784	58,104	14,680
Administration	1,556,149	1,173,583	1,150,129	23,454
Fiscal	415,556	521,073	516,273	4,800
Operation and Maintenance of Plant	2,946,750	2,910,528	2,865,553	44,975
Pupil Transportation	1,284,499	1,253,106	1,236,357	16,749
Central	53,719	66,841	57,492	9,349
Extracurricular Activities				
Academic Oriented Activities	149,631	138,543	152,502	(13,959)
Sport Oriented Activities	347,708	363,311	333,460	29,851
<i>Total Disbursements</i>	<u>21,645,322</u>	<u>21,309,547</u>	<u>20,927,176</u>	<u>382,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(570,409)</u>	<u>(513,235)</u>	<u>(138,477)</u>	<u>374,758</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	2,500	3,250	3,269	19
Refund of Prior Year Disbursements	10,000	90,000	88,522	(1,478)
Transfers Out	(158,091)	(108,091)	(108,091)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(145,591)</u>	<u>(14,841)</u>	<u>(16,300)</u>	<u>(1,459)</u>
<i>Net Change in Fund Balances</i>	(716,000)	(528,076)	(154,777)	373,299
<i>Fund Balances - Beginning of Year</i>	17,958,371	17,958,371	17,958,371	0
<i>Prior Year Encumbrances Appropriated</i>	204,085	204,085	204,085	0
<i>Fund Balances - End of Year</i>	<u>\$ 17,446,456</u>	<u>\$ 17,634,380</u>	<u>\$ 18,007,679</u>	<u>\$ 373,299</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets		
Equity Pooled in Cash and Investments	\$ 669,412	\$ 29,677
Investments	705,000	0
<i>Total Assets</i>	\$ 1,374,412	\$ 29,677
Net Assets		
Endowments	\$ 1,317,861	\$ 0
Held in Trust for:		
Scholarships	56,542	0
Staff	9	0
Student Activities	0	29,677
<i>Total Net Assets</i>	\$ 1,374,412	\$ 29,677

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions	
Interest	\$ 29,272
Gifts and Contributions	20,644
<i>Total Additions</i>	49,916
Deductions	
Payments in Accordance with Trust Agreements	48,176
<i>Total Deductions</i>	48,176
<i>Change in Net Assets</i>	1,740
<i>Net Assets Beginning of Year - Restated (Note 3)</i>	1,372,672
<i>Net Assets End of Year</i>	\$ 1,374,412

See accompanying notes to the basic financial statements.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Shawnee Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the Local School District staffed by 155 certified teaching personnel and 129 non-certified support personnel to provide services to 2,520 students.

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

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

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

The following activities are included within the reporting entity:

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

The School District is associated with two jointly governed organizations and an insurance pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center and the Allen County Schools Health Benefit Plan. Information about these organizations is presented in Notes 12 and 13 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting

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

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

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

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and a faculty fund.

C. Budgetary Process

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

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget

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

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

Estimated Resources

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

Appropriations

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations

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

D. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 were \$360,946, which includes \$26,585 assigned from other School District funds.

E. Capital Assets

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

F. Accumulated Leave

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

G. Long-Term Debt

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

H. Intergovernmental Receipts

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Inventory and Prepaid Items

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

J. Interfund Receivables/Payables

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

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

These transactions are not recorded as liabilities or assets in the accompanying financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2011, the School District did not have any net assets restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Receipts and Disbursements

Program Receipts

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

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

Operating Receipts and Disbursements

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

Capital Receipts and Disbursements

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

NOTE 3 – RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

The restatement had the following effect on fund balances as of June 30, 2010:

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	\$ 17,958,371	\$ 1,793,074	\$ 19,751,445
Change in Fund Structure	405,992	(400,725)	5,267
Adjusted Fund Balance at June 30, 2010	<u>\$ 18,364,363</u>	<u>\$ 1,392,349</u>	<u>\$ 19,756,712</u>

The restatement had the following effect on net assets as of June 30, 2010:

	<u>Governmental Activities</u>	<u>Private Purpose Trust</u>
Net Assets June 30, 2010	\$ 19,751,445	\$ 1,377,939
Change in Fund Structure	5,267	(5,267)
Adjusted Net Assets at June 30, 2010	<u>\$ 19,756,712</u>	<u>\$ 1,372,672</u>

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$2,751,487 and the bank balance was \$3,273,509. Of the bank balance, \$2,653,601 was covered by federal depository insurance and \$619,908 was uninsured and collateralized by a 105% public depository pool, which was collateralized with securities held by the financial institution's trust department but not in the School District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2011, the School District had \$7,600 in undeposited cash on hand which is included in the fund balance.

Investments

Investments are reported at cost. As of June 30, 2011, the School District had the following investments:

	Cost as of 06/30/11	% of Total Investment	Maturities	
			< 1 Year	1-5 Years
Fifth Third Securities	\$ 2,701,255	14.60%	\$ 2,701,255	\$ 0
Federal Home Loan Mortgage Corporation	2,000,000	10.81%	0	2,000,000
Federal National Mortgage Association	2,000,000	10.81%	0	2,000,000
Federal Home Loan Bank	11,800,000	63.78%	0	11,800,000
Total Investments	<u>\$18,501,255</u>	<u>100.00%</u>	<u>\$ 2,701,255</u>	<u>\$15,800,000</u>

Interest Rate Risk

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

Custodial Credit Risk

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

The School District's investments in US Government/Agency Bonds include securities in Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Bank that have a credit rating of AAA from Standard and Poor's.

Concentration Risk

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5% of the School District's investments are in Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Bank. These investments are 12.66%, 12.66%, and 74.68%, respectively, of the School District's total investments for the amounts listed above.

NOTE 5 - PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 5 - PROPERTY TAXES (CONTINUED)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second-Half		2011 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 326,624,540	79.95%	\$ 327,102,110	79.94%
Industrial/Commercial	61,285,670	15.00%	60,863,850	14.87%
Public Utility	20,601,590	5.05%	21,231,510	5.19%
Total Assessed Value	<u>\$ 408,511,800</u>	<u>100.00%</u>	<u>\$ 409,197,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.15		\$ 35.13	

NOTE 6 - DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2011 consisted of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/11</u>	<u>Due Within One Year</u>
HB264 Energy Conservation Loan	4.5%	\$ 671,717	\$ 0	\$ 48,403	\$ 623,314	\$ 50,605
Tax Anticipation Note	3.42%	1,680,000	0	480,000	1,200,000	480,000
		<u>\$ 2,351,717</u>	<u>\$ 0</u>	<u>\$ 528,403</u>	<u>\$ 1,823,314</u>	<u>\$ 530,605</u>

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

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

<u>Fiscal Year Ending June 30,</u>	<u>HB264</u>	<u>Tax Anticipation</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 50,605	\$ 480,000	\$ 64,422	\$ 595,027
2013	52,908	480,000	45,703	578,611
2014	55,315	240,000	26,880	322,195
2015	57,833	0	20,259	78,092
2016	60,465	0	17,627	78,092
2017-2021	346,188	0	44,268	390,456
Total	<u>\$ 623,314</u>	<u>\$ 1,200,000</u>	<u>\$ 219,159</u>	<u>\$ 2,042,473</u>

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 7 - RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the School District contracted with Ohio School Plan for property, liability and fleet insurance.

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

2. Workers' Compensation

For fiscal year 2011, the School District's Workers' Compensation managed care organization is contracted with Compmanagement Health Systems. Beginning with fiscal year 2011, the School District participates in the Compmanagement Health Systems Workers Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

3. Health Care Benefits

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org under Employers/Audit Resources.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$409,439, \$437,507, and \$308,547, respectively; which equaled the required contributions each year.

State Teachers Retirement System

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

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

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

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

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,352,213, \$1,295,084, and \$1,221,647, respectively; which equaled the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2011 were \$55,069 made by the School District and \$39,335 made by the plan members.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2011, three of the Board of Education members have elected social security.

NOTE 9 - POST EMPLOYMENT BENEFITS

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

State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The School District's contributions for post-employment health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$104,016, \$99,622, and \$93,972 respectively.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan SERS administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$26,348, \$26,018, and \$22,231, respectively, which equaled the required contributions each year.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 9 - POST EMPLOYMENT BENEFITS (CONTINUED)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$104,131, \$64,216, and \$189,268, respectively.

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 10 – FUND BALANCE

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

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:			
Permanent Improvements	\$ 0	\$ 895,272	\$ 895,272
Unclaimed Monies	5,267	0	5,267
Food Service Operations	0	363,635	363,635
Budget Reserve	490,091	0	490,091
Textbook Reserve	336,711	0	336,711
Extracurricular Activities	0	124,351	124,351
Non-Public Schools	0	39,175	39,175
Special Education	0	38,280	38,280
Teacher Quality Improvement	0	1,775	1,775
Total Restricted	<u>832,069</u>	<u>1,462,488</u>	<u>2,294,557</u>
Committed to:			
Future Severance Payments	300,000	0	300,000
Supplies	96,562	0	96,562
Educational Activities	41,041	0	41,041
Total Committed	<u>437,603</u>	<u>0</u>	<u>437,603</u>
Assigned to:			
Unpaid Obligations	222,674	0	222,674
Total Assigned	<u>222,674</u>	<u>0</u>	<u>222,674</u>
Unassigned	<u>16,901,419</u>	<u>0</u>	<u>16,901,419</u>
Total Fund Balance	<u>\$ 18,393,765</u>	<u>\$ 1,462,488</u>	<u>\$ 19,856,253</u>

NOTE 11 - STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following modified cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2011.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 - STATUTORY RESERVES (CONTINUED)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance June 30,2010	\$ 244,430	\$ 0	\$ 490,091
Current Year Set-Aside Requirement	399,283	399,283	0
Current Year Qualifying Disbursements	(307,002)	(399,283)	0
Total	<u>\$ 336,711</u>	<u>\$ 0</u>	<u>\$ 490,091</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Reserve Balance June 30, 2011	<u>\$ 336,711</u>	<u>\$ 0</u>	<u>\$ 490,091</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Maintenance Reserve. The carryover amount in the Capital Maintenance Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of bond proceeds that may be used as an off-set in future periods, which was \$2,400,000 at June 30, 2011.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (the "NOACSC"), which is a computer consortium. NOACSC is an association of public School Districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member School Districts within each county. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

NOTE 13 – INSURANCE PURCHASING POOL

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 14 – CONTRACTUAL COMMITMENTS

At June 30, 2011, the list of outstanding contractual commitments is:

<u>Contractor/Vendor</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>	<u>Description</u>
HJP, Inc.	\$20,000	\$ 6,800	Irrigation System-Soccer/Softball Field
Fair Play Scoreboards	20,399	20,399	Baseball Field Scoreboard
Sports Equipment Specialists	4,595	4,595	Baseball Field Scoreboard Installation
Frost Roofing, Inc.	18,000	18,000	High School Roof Replacement
Frost Roofing, Inc.	22,270	22,270	Middle School Roof Replacement
Frost Roofing, Inc.	20,000	20,000	High School Roof Replacement
Frost Roofing, Inc.	42,730	42,730	Middle School Roof Replacement

NOTE 15 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

NOTE 16 - TRANSFERS

During fiscal year 2011, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental:		
General Fund	\$ 0	\$ 78,091
All Other Governmental Funds	611,443	533,352
Total Governmental	<u>\$ 611,443</u>	<u>\$ 611,443</u>

During fiscal year 2011 transfers were made by the General Fund to move unrestricted balances to the Debt Service Fund to meet debt service requirements. Transfers were made from the Permanent Improvement Fund to the Debt Service Fund to meet debt service requirements.

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (budget basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The adjustments necessary to convert the results of operations for the year on the modified cash basis to the budget basis for the general fund is as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Modified Cash basis	\$ 29,402
Funds budgeted elsewhere **	(36,879)
Adjustment for encumbrances	<u>(147,300)</u>
Budget basis	<u><u>\$ (154,777)</u></u>

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

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Shawnee Local School District
Allen County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 25,632	\$ -	\$ 25,632	\$ -
National School Lunch Program	3L60	10.555	314,483	164,050	314,483	164,050
Total Nutrition Cluster			<u>340,115</u>	<u>164,050</u>	<u>340,115</u>	<u>164,050</u>
Total United States Department of Agriculture			340,115	164,050	340,115	164,050
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	3M00	84.010	288,020	-	245,461	-
ARRA-Title I Grants to Local Education Agencies	3DK0	84.389	94,635	-	105,422	-
Total Title I Cluster			<u>382,655</u>	<u>-</u>	<u>350,883</u>	<u>-</u>
Special Education- Grants to States	3M20	84.027	468,252	-	455,953	-
ARRA-Special Education Grants to States	3DJ0	84.391	239,878	-	254,205	-
Total Special Education Cluster			<u>708,130</u>	<u>-</u>	<u>710,158</u>	<u>-</u>
ARRA-State Fiscal Stabilization Fund (SFSF)	GRF	84.394	331,662	-	331,662	-
Total SFSF Cluster			<u>331,662</u>	<u>-</u>	<u>331,662</u>	<u>-</u>
Safe and Drug Free Schools and Communities State Grants	3D10	84.186	1,040	-	453	-
Education Technology State Grants	3S20	84.318	772	-	1,152	-
Improving Teacher Quality State Grants	3Y60	84.367	69,720	-	68,269	-
Education Jobs Fund	3ET0	84.410	228,075	-	228,075	-
Total United States Department of Education			<u>1,722,054</u>	<u>-</u>	<u>1,690,652</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,062,169</u>	<u>\$ 164,050</u>	<u>\$ 2,030,767</u>	<u>\$ 164,050</u>

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

Shawnee Local School District
Allen County

Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -FOOD DISTRIBUTIONS

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

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



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

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

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 16, 2011, wherein we noted the School District implemented GASB Statements No.54 and No.59. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

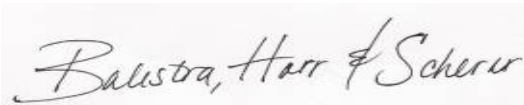
Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 16, 2011.

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.
December 16, 2011



Balestra, Harr & Scherer, CPAs, Inc.

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

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

Compliance

We have audited the compliance of Shawnee Local School District, Allen County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Shawnee Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Shawnee Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance


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

Members of the Board of Education
Shawnee Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
December 16, 2011

Shawnee Local School District
Allen County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1, Part A Cluster: Title 1 Grants to Local Educational Agencies; CFDA# 84.010 Title 1 Grants to Local Educational Agencies – ARRA; CFDA# 84.389 Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 Education Jobs Fund; CFDA# 84.410 State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund-ARRA; CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Shawnee Local School District
Allen County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011

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

FINDING NUMBER 2011-001

Material Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Client Response:

The Shawnee Local School Board does not feel that it is cost effective to produce financial statements in accordance with GAAP.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Shawnee Local School District
Allen County, Ohio

Schedule of Prior Audit Findings
OMB Circular A-133 §.315(b)
June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-001	Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2011-001.



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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
Shawnee Local School District
Allen County
3255 Zurmehly Road
Lima, Ohio 45806

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Shawnee Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

December 16, 2011

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Dave Yost • Auditor of State

SHAWNEE LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2012