



OHIO AUDITOR OF STATE
KEITH FABER



**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	13
Statement of Activities – Cash Basis	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund	17
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	18
Statement of Change in Fiduciary Net Position – Cash Basis – Private Purpose Trust Fund	19
Notes to the Basic Financial Statements	21
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	57
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	61
Schedule of Findings.....	65
Prepared by Management:	
Summary Schedule of Prior Audit Findings	71
Corrective Action Plan	72

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient

Effective

Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.A.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2.A of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

May 23, 2019

This page intentionally left blank.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position decreased \$1,294,896, which was a 9.6 percent decrease from 2017.
- Outstanding debt decreased from \$1,796,238 to \$1,209,112 due to principal payments made during the current year.

Using this Annual Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2018, the General Fund is the School District's most significant fund.

Basis of Accounting

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

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

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for scholarships, endowments, staff and student activities.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to 2017.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2018	2017
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 12,241,155	\$ 13,536,051
Net Position		
Restricted for:		
Capital Outlay	\$ 444,687	\$ 373,916
Debt Service	471	87
Other Purposes	650,104	625,460
Unrestricted	11,145,893	12,536,588
<i>Total Net Position</i>	<i>\$ 12,241,155</i>	<i>\$ 13,536,051</i>

Net position of the governmental activities decreased \$1,294,896, which represents a 9.6 percent decrease from fiscal year 2017.

A portion of the School District's net position, \$1,095,262 or 9 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$11,145,893 may be used to meet the School District's ongoing obligations.

This space intentionally left blank

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2018 as compared to fiscal year 2017.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2018	2017
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 2,858,895	\$ 2,707,843
Operating Grants, Contributions and Interest	2,158,850	2,227,833
Capital Grants, Contributions and Interest	7,865	24,960
<i>Total Program Receipts</i>	<u>5,025,610</u>	<u>4,960,636</u>
General Receipts		
Property Taxes	12,952,733	12,481,608
Grants and Entitlements not Restricted to Specific Programs	8,204,854	8,317,005
Investment Earnings	148,329	111,284
Miscellaneous	210,603	166,392
<i>Total General Receipts</i>	<u>21,516,519</u>	<u>21,076,289</u>
<i>Total Receipts</i>	<u>26,542,129</u>	<u>26,036,925</u>
Program Disbursements		
Instruction:		
Regular	10,813,504	10,890,132
Special	2,899,748	2,760,403
Student Intervention Services	254,949	204,702
Other	1,884,242	1,874,973
Support Services:		
Pupils	1,626,411	1,610,817
Instructional Staff	817,200	679,078
Board of Education	122,660	70,381
Administration	1,874,247	1,798,934
Fiscal	544,812	502,232
Operation and Maintenance of Plant	2,768,061	3,318,352
Pupil Transportation	1,392,064	1,448,256
Central	65,605	66,171
Operation of Non-Instructional Services:		
Food Service Operations	957,526	953,792
Community Services	288,259	256,266
Extracurricular Activities	901,007	980,417
Capital Outlay	2,586	95,489
Debt Service:		
Principal Retirement	587,126	587,126
Interest and Fiscal Charges	37,018	47,277
<i>Total Program Disbursements</i>	<u>27,837,025</u>	<u>28,144,798</u>
<i>Change in Net Position</i>	(1,294,896)	(2,107,873)
<i>Net Position Beginning of Year</i>	<u>13,536,051</u>	<u>15,643,924</u>
<i>Net Position End of Year</i>	<u>\$ 12,241,155</u>	<u>\$ 13,536,051</u>

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

Operation and maintenance of plant expenditures decreased from 2017 by \$550,291 due to renovations to the soccer and football fields and resurfacing the tennis courts in 2017.

Governmental Activities

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

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2018	2017	2018	2017
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 10,813,504	\$ 10,890,132	\$ 8,897,322	\$ 9,200,730
Special	2,899,748	2,760,403	1,723,613	1,469,641
Student Intervention Services	254,949	204,702	254,949	204,702
Other	1,884,242	1,874,973	1,865,209	1,847,598
Support Services:				
Pupils	1,626,411	1,610,817	1,601,338	1,600,087
Instructional Staff	817,200	679,078	773,371	665,207
Board of Education	122,660	70,381	122,660	70,381
Administration	1,874,247	1,798,934	1,751,088	1,674,191
Fiscal	544,812	502,232	544,812	502,232
Operation and Maintenance of Plant	2,768,061	3,318,352	2,757,743	3,307,652
Pupil Transportation	1,392,064	1,448,256	1,369,429	1,436,730
Central	65,605	66,171	65,605	66,171
Operation of Non-Instructional Services:				
Food Service Operations	957,526	953,792	(31,813)	(94,716)
Community Services	288,259	256,266	(7,542)	(7,377)
Extracurricular Activities	901,007	980,417	501,648	532,501
Capital Outlay	2,586	95,489	(2,161)	74,029
Debt Service:				
Principal Retirement	587,126	587,126	587,126	587,126
Interest and Fiscal Charges	37,018	47,277	37,018	47,277
<i>Total</i>	\$ 27,837,025	\$ 28,144,798	\$ 22,811,415	\$ 23,184,162

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 18 percent of all governmental expenses. The community is the largest area of support for the School District students.

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$12,241,155, which is lower than the prior year balance of \$13,536,051.

The General Fund's fund balance decreased \$1,385,394 in fiscal year 2018. Despite the School District's cost-saving efforts, disbursements still exceeded cash received into the General Fund, causing a negative change in fund balance.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its General Fund budget. For the General Fund, final budget basis receipts were \$23,011,104, which is over the original budgeted receipts by \$979,272. The largest budget increases were in personal property taxes and tuition and fees. Actual receipts of \$22,730,137 were \$280,967 lower than the final budget primarily due to an overestimation of tuition and fees revenue.

For fiscal year 2018, the General Fund final budget basis disbursements were \$25,324,216 which is more than the original budgeted disbursements of \$24,584,571. Actual disbursements of \$24,243,668 were \$1,080,548 lower than the final budget due conservative budgeting.

There were no significant variances to discuss within other financing sources and uses.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2018 and 2017.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2018	2017
Series 2014 Tax Anticipation Note	\$ 222,224	\$ 666,668
2013 HB264 Energy Conservation Note	750,000	825,000
2014 HB264 Energy Conservation Note	236,888	304,570
<i>Total</i>	\$ 1,209,112	\$ 1,796,238

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

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

Current Issues

The School District experienced deficit spending in its general fund of \$1,385,394 for fiscal year 2018. This represents a decrease from the previous year's deficit in the amount of \$1,739,690.

Shawnee Local School District's General Fund receipts increased from fiscal year 2017. This slight increase was primarily the result of changes in the property tax receipts. The historically low interest rate environment continues to depress returns on invested funds. Although interest rates have stabilized, the economic outlook appears as though rates will remain at low levels for Fiscal Year 2019.

Disbursements for the School District are consistent with industry standards. Staffing levels have remained constant, while retirements and cost controls implemented by the Allen County Health consortium maintain costs. As in all school districts, and vast majority of private enterprises, headcount related costs account for the highest percentage of expenditures. The School District spent approximately 73-76 percent of its annual budget on salaries, wages and benefits in fiscal year 2018.

In addition to the continuing millage from voted levies, Shawnee Local School District also receives receipts from two emergency levies. These consist of a ten year fixed amount levy for \$2,880,000 per year renewed in 2011, and a five year fixed amount levy for \$2,150,000 per year renewed in November 2013.

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

All of the School District's buildings are more than 40 years old and their maintenance is a major concern to the Board of Education. It is critical that facilities are secure, safe, structurally and operationally sound; therefore a permanent improvement levy has been approved by the School District voters since the early 1970's. This levy generates approximately \$500,000 annually for the School District to be used exclusively for buildings, grounds, textbooks and buses. As the Board understands that the construction of new facilities is unlikely in the near future, it is critical that funds are available to support our ongoing maintenance efforts.

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

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

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)
(Continued)

Contacting the School District's Financial Management

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

Shawnee Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 12,241,155
<i>Total Assets</i>	12,241,155
Net Position	
Restricted for:	
Capital Outlay	444,687
Debt Service	471
Other Purposes	650,104
Unrestricted	11,145,893
<i>Total Net Position</i>	\$ 12,241,155

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 10,813,504	\$ 1,856,806	\$ 59,376	\$ 0	\$ (8,897,322)
Special	2,899,748	49,727	1,126,408	0	(1,723,613)
Student Intervention Services	254,949	0	0	0	(254,949)
Other	1,884,242	0	19,033	0	(1,865,209)
Support Services:		0	0	0	
Pupils	1,626,411	0	25,073	0	(1,601,338)
Instructional Staff	817,200	0	43,829	0	(773,371)
Board of Education	122,660	0	0	0	(122,660)
Administration	1,874,247	0	123,159	0	(1,751,088)
Fiscal	544,812	0	0	0	(544,812)
Operation and Maintenance of Plant	2,768,061	0	7,200	3,118	(2,757,743)
Pupil Transportation	1,392,064	0	22,635	0	(1,369,429)
Central	65,605	0	0	0	(65,605)
Operation of Non-Instructional Services:		0	0	0	
Food Service Operations	957,526	590,569	398,770	0	31,813
Community Services	288,259	0	295,801	0	7,542
Extracurricular Activities	901,007	361,793	37,566	0	(501,648)
Capital Outlay	2,586	0	0	4,747	2,161
Debt Service:		0	0	0	
Principal Retirement	587,126	0	0	0	(587,126)
Interest and Fiscal Charges	37,018	0	0	0	(37,018)
Totals	<u>\$ 27,837,025</u>	<u>\$ 2,858,895</u>	<u>\$ 2,158,850</u>	<u>\$ 7,865</u>	<u>(22,811,415)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	12,004,225
Debt Service	452,772
Capital Outlay	495,736
Grants and Entitlements not Restricted to Specific Programs	8,204,854
Investment Earnings	148,329
Miscellaneous	210,603
Total General Receipts	<u>21,516,519</u>
Change in Net Position	<u>(1,294,896)</u>
Net Position Beginning of Year	<u>13,536,051</u>
Net Position End of Year	<u>12,241,155</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 11,181,883	\$ 1,059,272	\$ 12,241,155
<i>Total Assets</i>	<u>\$ 11,181,883</u>	<u>\$ 1,059,272</u>	<u>\$ 12,241,155</u>
Fund Balances			
Nonspendable	\$ 10,745	\$ 0	\$ 10,745
Restricted	0	1,084,517	1,084,517
Committed	300,000	0	300,000
Assigned	2,647,480	0	2,647,480
Unassigned	8,223,658	(25,245)	8,198,413
<i>Total Fund Balances</i>	<u>\$ 11,181,883</u>	<u>\$ 1,059,272</u>	<u>\$ 12,241,155</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Change
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 12,004,225	\$ 948,508	\$ 12,952,733
Intergovernmental	8,683,120	1,631,184	10,314,304
Investment Income	148,183	9,254	157,437
Tuition and Fees	1,927,238	0	1,927,238
Extracurricular Activities	56,957	265,228	322,185
Gifts and Donations	6,172	41,981	48,153
Charges for Services	20,181	585,435	605,616
Rent	3,855	0	3,855
Miscellaneous	209,408	1,200	210,608
<i>Total Receipts</i>	<u>23,059,339</u>	<u>3,482,790</u>	<u>26,542,129</u>
Disbursements			
Current:			
Instruction:			
Regular	10,748,198	65,306	10,813,504
Special	2,359,810	539,938	2,899,748
Student Intervention Services	252,103	2,846	254,949
Other	1,864,678	19,564	1,884,242
Support Services:			
Pupils	1,616,919	9,492	1,626,411
Instructional Staff	589,239	227,961	817,200
Board of Education	122,660	0	122,660
Administration	1,748,217	126,030	1,874,247
Fiscal	526,640	18,172	544,812
Operation and Maintenance of Plant	2,491,275	276,786	2,768,061
Pupil Transportation	1,301,954	90,110	1,392,064
Central	65,605	0	65,605
Extracurricular Activities	585,679	288,259	873,938
Operation of Non-Instructional Services:			
Food Service Operations	0	957,526	957,526
Other	0	315,328	315,328
Capital Outlay	0	2,586	2,586
Debt Service:			
Principal Retirement	0	587,126	587,126
Interest and Fiscal Charges	0	37,018	37,018
<i>Total Disbursements</i>	<u>24,272,977</u>	<u>3,564,048</u>	<u>27,837,025</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,213,638)</u>	<u>(81,258)</u>	<u>(1,294,896)</u>
Other Financing Sources (Uses)			
Transfers In	0	171,756	171,756
Transfers Out	(171,756)	0	(171,756)
<i>Total Other Financing Sources (Uses)</i>	<u>(171,756)</u>	<u>171,756</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,385,394)	90,498	(1,294,896)
<i>Fund Balances Beginning of Year</i>	<u>12,567,277</u>	<u>968,774</u>	<u>13,536,051</u>
<i>Fund Balances End of Year</i>	<u>\$ 11,181,883</u>	<u>\$ 1,059,272</u>	<u>\$ 12,241,155</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Change
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 11,517,580	\$ 12,004,225	\$ 12,004,225	\$ 0
Intergovernmental	8,744,918	8,658,528	8,637,767	(20,761)
Investment Income	110,931	145,931	148,183	2,252
Tuition and Fees	1,640,547	2,064,494	1,812,207	(252,287)
Gifts and Donations	1,400	1,400	100	(1,300)
Charges for Services	0	22,000	20,181	(1,819)
Rent	4,540	4,540	3,855	(685)
Miscellaneous	11,916	109,986	103,619	(6,367)
<i>Total Receipts</i>	<u>22,031,832</u>	<u>23,011,104</u>	<u>22,730,137</u>	<u>(280,967)</u>
Disbursements				
Current:				
Instruction:				
Regular	10,861,757	10,933,516	10,646,648	286,868
Special	2,115,832	2,374,024	2,360,818	13,206
Student Intervention Services	210,842	252,282	252,103	179
Other	1,902,729	1,905,301	1,878,984	26,317
Support Services:				
Pupils	1,661,858	1,643,123	1,623,204	19,919
Instructional Staff	610,390	651,736	604,401	47,335
Board of Education	72,493	175,203	136,193	39,010
Administration	1,727,634	1,848,115	1,753,899	94,216
Fiscal	537,511	563,825	540,727	23,098
Operation and Maintenance of Plant	2,945,181	2,941,242	2,544,678	396,564
Pupil Transportation	1,347,649	1,433,504	1,320,210	113,294
Central	68,155	69,095	65,647	3,448
Extracurricular Activities	522,540	533,250	516,156	17,094
<i>Total Disbursements</i>	<u>24,584,571</u>	<u>25,324,216</u>	<u>24,243,668</u>	<u>1,080,548</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,552,739)</u>	<u>(2,313,112)</u>	<u>(1,513,531)</u>	<u>799,581</u>
Other Financing Sources (Uses)				
Refund of Prior Year Disbursements	143,324	143,324	139,941	(3,383)
Transfers In	224,861	0	0	0
Transfers Out	(398,073)	(398,073)	(396,756)	1,317
<i>Total Other Financing Sources (Uses)</i>	<u>(29,888)</u>	<u>(254,749)</u>	<u>(256,815)</u>	<u>(2,066)</u>
<i>Net Change in Fund Balance</i>	(2,582,627)	(2,567,861)	(1,770,346)	797,515
<i>Fund Balance Beginning of Year</i>	12,343,310	12,343,310	12,343,310	0
Prior Year Encumbrances Appropriated	74,903	74,903	74,903	0
<i>Fund Balance End of Year</i>	<u>\$ 9,835,586</u>	<u>\$ 9,850,352</u>	<u>\$ 10,647,867</u>	<u>\$ 797,515</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,238,305	\$ 45,954
<i>Total Assets</i>	1,238,305	\$ 45,954
 Net Position		
Endowments	1,176,147	\$ 0
Held in Trust for Scholarships	62,149	0
Held for Student Activities	0	45,954
Held for Staff Awards	9	0
<i>Total Net Position</i>	\$ 1,238,305	\$ 45,954

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 79
Interest	13,359
<i>Total Additions</i>	<i>13,438</i>
 Deductions	
Payments in Accordance with Trust Agreements	21,865
<i>Total Deductions</i>	<i>21,865</i>
<i>Change in Net Position</i>	<i>(8,427)</i>
<i>Net Position Beginning of Year</i>	<i>1,246,732</i>
<i>Net Position End of Year</i>	<i>\$ 1,238,305</i>

See accompanying notes to the basic financial statements.

This page intentionally left blank

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Shawnee Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The School District is located in Allen and Auglaize Counties, and includes portions of Shawnee and American Townships.

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

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

The following activities are included within the reporting entity:

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

The School District is associated with two jointly governed organizations and an insurance pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center and the Council of Allen County Schools Health Benefits Consortium. Information about these organizations is presented in Notes 13 and 14 of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

A. Basis of Accounting

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

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

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

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *Statement of Net Position* presents the financial condition of the governmental activities of the School District at year-end. The *Statement of Activities* presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

FUND FINANCIAL STATEMENTS

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

Fiduciary Fund Types

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

C. Budgetary Process

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

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

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

D. Cash and Cash Equivalents

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as investments. During fiscal year 2018, investments were limited to negotiable certificates of deposit, STAR Ohio, money market, and U.S. Government and Agencies Securities.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 were \$148,183, which includes \$798 assigned from other School District funds.

E. Capital Assets

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

F. Accumulated Leave

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

G. Long-Term Debt

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

H. Intergovernmental Receipts

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

I. Inventory and Prepaid Items

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

J. Interfund Receivables/Payables

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

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

These transactions are not recorded as liabilities or assets in the accompanying financial statements. Additional details about the School Districts interfund transactions are contained in Note 16 of the basic financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Fund Balance

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

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

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

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

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

M. Pensions and Other Postemployment Benefits (OPEB)

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2018, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. See Note 10 for further information.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

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

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

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

Cash on Hand - At June 30, 2018 the School District had \$7,600 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits At year-end, the carrying value of deposits was \$1,112,843. \$701,642 of the School's bank balance of \$1,310,303 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School to a successful claim by the FDIC.

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

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

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Investments

As of June 30, 2018, the School District had the following investments:

	Measurement Value	% of Total Investments	Maturities	
			< 1 year	1 - 3 years
Cost:				
Money Markets	\$ 55,189	0.45%	\$ 55,189	\$ 0
Federal Home Loan Mortgage Corporation	1,728,240	13.93%	499,998	1,228,242
Federal Home Loan Bank	1,225,937	9.88%	0	1,225,937
Federal National Mortgage Association	2,204,344	17.77%	1,697,246	507,098
Federal Farm Credit Bank	1,783,474	14.38%	0	1,783,474
Freddie Mac	622,037	5.01%	622,037	0
Negotiable Certificates of Deposit	2,740,000	22.09%	1,992,000	748,000
Net Asset Value (NAV):				
STAR Ohio	2,045,750	16.49%	2,045,750	0
<i>Total Investments</i>	\$ 12,404,971	100.00%	\$ 6,912,220	\$ 5,492,751

Interest Rate Risk

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

Credit Risk

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

The School District's investments in US Government/Agency Bonds include securities in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal National Mortgage Association, Freddie Mac and Federal Farm Credit Bank that have credit ratings of AA+ and Aaa from S&P Global Ratings and Moody's Investor Services, respectively. The negotiable certificates of deposit are fully covered by FDIC. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2018, is 49 days and carries a rating of AAAM by S&P Global Ratings.

Concentration Risk

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Allen and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 318,733,655	74.2%	\$ 321,259,980	73.8%
Industrial/Commercial	64,745,170	15.1%	66,608,110	15.3%
Public Utility	46,019,010	10.7%	47,218,010	10.9%
Total Assessed Value	<u>\$ 429,497,835</u>	<u>100.0%</u>	<u>\$ 435,086,100</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$34.57		\$34.97	

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

NOTE 6 – DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2018 consisted of the following:

	Principal Outstanding 06/30/17			Principal Outstanding 06/30/18		Due Within One Year	Due in More Than One Year
	Outstanding	Additions	Reductions	Outstanding	Due Within One Year		
Series 2014 Tax Anticipation Note	666,668	0	444,444	222,224	222,224		0
HB264 Energy Conservation Note - 2013	825,000	0	75,000	750,000	75,000		675,000
HB264 Energy Conservation Note - 2014	304,570	0	67,682	236,888	67,682		169,206
<i>Total</i>	<u>\$ 1,796,238</u>	<u>\$ 0</u>	<u>\$ 587,126</u>	<u>\$ 1,209,112</u>	<u>\$ 364,906</u>		<u>\$ 844,206</u>

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

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

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

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Principal and interest requirements for payment of debt obligations as of June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Tax			Total
	HB264	Anticipation	Interest	
2019	\$ 142,682	\$ 222,224	\$ 26,762	\$ 391,668
2020	142,682	0	21,499	164,181
2021	142,682	0	17,902	160,584
2022	108,842	0	14,304	123,146
2023	75,000	0	11,860	86,860
2024-2028	375,000	0	28,360	403,360
Total	<u>\$ 986,888</u>	<u>\$ 222,224</u>	<u>\$ 120,687</u>	<u>\$ 1,329,799</u>

NOTE 7 – OPERATING LEASES

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

NOTE 8 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the School District contracted with Ohio School Plan for property, liability and fleet insurance.

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

B. Workers' Compensation

For fiscal year 2018, the School District's Worker's Compensation managed care organization is Sheakley Uniservice, Inc.

In calendar year 2018, the District will participate in a Group Experience Rating program.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

C. Health Care Benefits

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School District’s contractually required contribution to SERS was \$663,390 for fiscal year 2018.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,601,936 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.110527%	0.096551%	
Prior Measurement Period	0.114180%	0.095796%	
Change in Proportion	-0.003660%	0.000750%	
Proportionate Share of the Net			
Pension Liability	\$ 6,603,744	\$ 22,935,883	\$ 29,539,627

Actuarial Assumptions - SERS

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 9,164,281	\$ 6,603,744	\$ 4,458,772

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

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

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$ 32,877,807	\$ 22,935,883	\$ 14,561,301

Assumption Changes since the Prior Measurement Date

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes since the Prior Measurement Date

Effective July 1, 2017, the COLA was reduced to zero.

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$66,765.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$91,335 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.112149%	0.096551%	
Prior Measurement Period	0.114180%	0.095796%	
Change in Proportion	<u>-0.002031%</u>	<u>0.000755%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 3,009,779	\$ 3,767,061	\$ 6,776,840

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 3,634,692	\$ 3,009,779	\$ 2,514,689
	<u>1% Decrease (6.5% decreasing to 4%)</u>	<u>Current Trend Rate (7.5% decreasing to 5%)</u>	<u>1% Increase (8.5% decreasing to 6%)</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 2,442,210	\$ 3,009,779	\$ 3,760,966

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

	<u>1% Decrease</u> (3.13%)	<u>Current</u> Discount Rate (4.13%)	<u>1% Increase</u> (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$ 5,057,219	\$ 3,767,061	\$ 2,747,415
		<u>Current</u> Trend Rate	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 2,617,193	\$ 3,767,061	\$ 5,280,423

NOTE 11 – STATUTORY RESERVES

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

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2018.

	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>
Set Aside Restricted Balance June 30, 2017	\$ 0
Current Year Set Aside Requirement	457,510
Current Year Offsets	<u>(614,327)</u>
Total	<u>\$ (156,817)</u>
Balance Carried Forward to Fiscal Year 2019	<u>\$ 0</u>
Set Aside Restricted Balance June 30, 2018	<u>\$ 0</u>

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

NOTE 12 – FUND BALANCE

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:			
Unclaimed Monies	\$ 10,745	\$ 0	\$ 10,745
Restricted for:			
Debt Service	0	471	471
Permanent Improvements	0	444,687	444,687
Nature Trail	0	14,495	14,495
Food Service Operations	0	541,551	541,551
Extracurricular	0	36,538	36,538
Educational Activities	0	46,775	46,775
Total Restricted	<u>0</u>	<u>1,084,517</u>	<u>1,084,517</u>
Committed for:			
Future Severance Payments	300,000	0	300,000
Total Committed	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Assigned for:			
Instruction	49,085	0	49,085
Support Services	126,450	0	126,450
Extracurricular	6,200	0	6,200
Subsequent Year Appropriations	2,465,745	0	2,465,745
Total Assigned	<u>2,647,480</u>	<u>0</u>	<u>2,647,480</u>
Unassigned	<u>8,223,658</u>	<u>(25,245)</u>	<u>8,198,413</u>
Total Fund Balance	<u>\$ 11,181,883</u>	<u>\$ 1,059,272</u>	<u>\$ 12,241,155</u>

For fiscal year 2018, the School District had a deficit fund balance of \$25,245 in the IDEA Part B Fund.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (the “NOACSC”), which is a computer consortium. NOACSC is an association of School Districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, 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, 4277 East Road, Lima, OH 45807.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

NOTE 14 – INSURANCE PURCHASING POOL

Council of Allen County Schools Health Benefits Consortium – The School District participates in the Council of Allen County Schools Health Benefits Consortium (the “Consortium”), a public entity shared risk pool consisting of the school districts within Allen County. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district’s superintendent is appointed to a Board of Directors which advises the Directors and Plan Manager, concerning aspects of the administration of the Consortium. Financial information can be obtained from 1920 Slabtown Rd., Lima, Ohio 45804.

NOTE 15 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the School District. As a result, the School District received an additional \$3,168 from ODE. This amount has not been included in the financial statements.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

D. Encumbrance Commitments

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

<u>Fund</u>	<u>Amount</u>
General	\$ 220,373
Nonmajor Governmental	286,683
	<u>\$ 507,056</u>

E. Contractual Commitment

At June 30, 2018, the School District had a \$107,000 outstanding contractual commitment to Frost Roofing, Inc for the replacement of Middle School roof.

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

NOTE 16 – INTERFUND ACTIVITY

During fiscal year 2018 transfers were made from the General fund to the H.B. 264 fund for \$171,756 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) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

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

	<u>General Fund</u>
Cash Basis	\$ (1,385,394)
Funds Budgeted Elsewhere **	(229,371)
Adjustment for Encumbrances	(155,581)
Budget Basis	\$ (1,770,346)

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

NOTE 18 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2018, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
School Breakfast Program	10.553	\$8,018
National School Lunch Program	10.555	72,165
Cash Assistance:		
School Breakfast Program	10.553	49,170
National School Lunch Program	10.555	337,274
Total Child Nutrition Cluster		<u>466,627</u>
Total U.S. Department of Agriculture		<u>466,627</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title 1 Grants to Local Educational Agencies	84.010	224,979
Special Education Cluster (IDEA):		
Special Education_Grants to States	84.027	<u>565,763</u>
Total Special Education Cluster (IDEA)		565,763
Supporting Effective Instruction State Grants	84.367	60,782
Student Support and Academic Enrichment Program	84.424	<u>2,846</u>
Total U.S. Department of Education		<u>854,370</u>
Total Expenditures of Federal Awards		<u><u>\$1,320,997</u></u>

The accompanying notes are an integral part of this schedule.

This page intentionally left blank.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Shawnee Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – MATCHING REQUIREMENTS

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2017 to 2018 programs:

Program Title	CFDA Number	Amount Transferred
Supporting Effective Instruction State Grants	84.367	\$765
Special Education - Grants to States	84.027	\$52,721

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

NOTE G – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center and the Mercer County Educational Service Center. For 2018, the School District's Allocation was as follows:

Special Education Preschool Grants – CFDA #84.173	\$10,717	(Allen County ESC)
Title 1 Grants to Local Educational Agencies – CFDA #84.010	\$69,359	(Allen County ESC)
English Language Acquisition State Grants – CFDA #84.365	\$1,438	(Mercer County ESC)

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 23, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

School District's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 23, 2019



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Shawnee Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Shawnee Local School District's major federal programs for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster and Special Education Cluster (IDEA)

As described in Findings 2018-002 and 2018-003 in the accompanying schedule of findings , the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-002	10.553/10.555	Child Nutrition Cluster	Allowable Costs/Cost Principles
2018-003	84.027	Special Education Cluster (IDEA)	Cash Management

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster and Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster and Special Education Cluster (IDEA)* paragraph, the Shawnee Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster and Special Education Cluster (IDEA) for the fiscal year ended June 30, 2018.

The School District's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2018-002 and 2018-003.

Shawnee Local School District
Allen County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

The School District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 23, 2019

This page intentionally left blank.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, 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 Rev. Code § 117.38.

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

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its financial statements according to generally accepted accounting principles.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance and Material Weakness – Allowable Costs/Cost Principles – Time & Effort Certifications

Finding Number	2018-002		
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553/10.555		
Federal Award Identification Number / Year	Child Nutrition Cluster - CFDA #10.553/10.555 - 2018		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Allowable Costs/Cost Principles		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2017-003

**FINDING NUMBER 2018-002
 (Continued)**

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.430(a)** which provides, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, **2 C.F.R. § 200.430(h)(8)(i)(1)(i-iii)** states, in part, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

The School District completed a semi-annual time and effort certification that covered all employees for the second half of the school year, certifying that food service employees performed duties related to the Child Nutrition Cluster Federal program. However, a semi-annual certification was not completed for the first half of the school year.

The failure to complete and retain proper semi-annual time and effort certifications could result in loss or decrease of future Federal funding.

The School District should implement a procedure(s) and/or control(s), such as a reminder system, to complete and maintain semi-annual certification for all employees paid from the Child Nutrition Cluster federal program.

OFFICIALS' RESPONSE: While the District implemented the suggested changes from the findings during the FY17 audit, the changes have been determined to be not acceptable for the FY18 audit. Additional changes will be made for hopeful compliance with the FY19 audit. Employees paid from the Child Nutrition Cluster and other non-federally funded sources will be required to complete semi-annual certifications.

Noncompliance and Material Weakness – Cash Management

Finding Number	2018-003		
CFDA Title and Number	Special Education Cluster (IDEA) - CFDA #84.027		
Federal Award Identification Number / Year	Special Education Cluster (IDEA) - CFDA #84.027 - 2018		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2017-004

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.305(b)** which requires, in part, that for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

FINDING NUMBER 2018-003
(Continued)

2 C.F.R. § 200.305(b)(1), requires, in part, that advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project.

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. In addition, Ohio Department of Education, cash management guidelines require that advance funds may be requested in order to meet upcoming obligations that will be paid within five business days of receiving the advance funds.

The following cash advances were not liquidated in a timely manner:

- The District requested \$441 January 23, 2018, to cover a reported negative fund balance of \$441. At that time, the balance of the fiscal year 2018 Dyslexia Grant Fund was negative \$215. This cash request was recorded as received on January 31, 2018 and the balance on hand after funds were received was \$8. After an additional expenditure was posted on February 9, 2018, the balance was reduced to a negative \$208;
- The District requested \$15,833 on January 9, 2018, to cover a reported negative fund balance of \$15,833. At that time, the balance of the Special Education IDEA grant fund was negative \$1,354. This cash request was recorded as received on January 17, 2018, and the balance on hand after fund were received was \$1,095. After additional expenditures were posted on January 26, 2018, the balance was reduced to a negative \$12,731;
- A cash advance of \$17,438 was requested on April 13, 2018. At that time, the balance of the Special Education IDEA Grant fund was negative \$25,163. The cash requested totaled \$42,601, including the advance and negative balance. This cash request was recorded as received on April 19, 2018 and the balance on hand after the funds were received was \$17,267. After additional expenditures were posted on April 30, 2018, the balance was reduced to a negative \$3,383;
- A cash advance of \$21,810 was requested on May 3, 2018. At that time, the balance of the Special Education IDEA Grant fund was negative \$3,383. The cash requested totaled \$38,577, including the advance and a reported negative fund balance of \$16,767. This cash request was recorded as received on May 10, 2018, and the fund balance after funds were received was \$12,365. After additional expenditures were posted on May 18, 2018, the balance was reduced to a negative \$6,559;
- The District requested \$63,353 on November 8, 2017, to cover a reported negative fund balance of \$63,353. At that time, the cash balance in the Special Education IDEA Grant fund was negative \$33,688. This cash request was recorded as received on November 16, 2017, and as of that date, the balance after funds were received was \$24,471. As of December 1, 2017, the funds received with this project cash request were fully expended;
- A cash advance of \$13,123.97 was requested on November 16, 2017. At that time, the actual cash balance in the Special Education IDEA Grant fund was negative \$38,685. The cash requested totaled \$29,273, including the advance and a reported negative fund balance of \$16,149. This cash request was recorded as received on November 24, 2017, and the balance on hand after funds were received was \$41,426. As of December 29, 2017, the funds received with this project cash request were fully expended;
- The District requested \$21,404 on December 5, 2017, to cover a reported negative fund balance of \$21,404. At that time, the cash balance in the Special Education IDEA Grant fund was \$22,366. This cash request was recorded as received on December 13, 2017, and the balance on hand after funds were received was \$39,353. As of January 9, 2018, the funds received with this project cash request were fully expended;
- A cash advance of \$43,810.36 was requested on May 31, 2018. At that time, the cash balance in the Special Education IDA Grant fund was \$7,411. This cash request was recorded as received on June 7, 2018, and the balance on hand after funds were received was \$35,169. After additional expenditures were posted on June 15, 2019, the balance was reduced to a negative \$3,523.

FINDING NUMBER 2018-003
(Continued)

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.302(b)(3)** which requires records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

For the project cash request (PCR) dated March 20, 2018, the negative cash balance on hand was overstated by \$12,884.

The failure to disburse Federal funds in a timely manner and errors on the PCR forms increase the risk of loss of current and/or future funding.

The School District should develop and implement a procedure(s) and/or control(s), such as a closer review of anticipated spending needs and verify the accuracy and completeness of the PCR reports.

OFFICIALS' RESPONSE: The related errors were discovered and explained to the District with the FY17 audit. However, the audit was not released until November 2018. Therefore, the FY18 audit will contain similar errors. The changes to correct the errors have been implemented for the FY19 audit.

This page intentionally left blank.

SHAWNEE LOCAL SCHOOLS

Board of Education
3255 Zurmehly Rd.
Lima, OH 45806-1499



CHRIS CROSS
TREASURER

TELEPHONE 419.998.8044
FAX 419.998.8050

SHAWNEE LOCAL SCHOOL DISTRICT - ALLEN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) FYE 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to file GAAP financial statements (Finding initially occurred in FY 2003.)	Not corrected.	The Board of Education does not wish to change the method of reporting.
2017-002	Ohio Rev. Code 117.28 – Finding for Recovery for public monies converted or misappropriated.	Partially Corrected.	The Board of Education is working to recover the funds. In an effort to reduce risk, internal control processes and cash handling procedures have been changed.
2017-003	2 C.F.R 200.430(a) and 2 C.F.R. 200.430(h)(8)(i)(1)(i-iii) – Semi-annual certifications were not properly maintained.	Partially corrected.	While the District implemented the suggested changes from the findings during the FY17 audit, the changes have been determined to be not acceptable for the FY18 audit. Additional changes will be made for hopeful compliance with the FY19 audit. Employees paid from the Child Nutrition Cluster and other non-federally funded sources will be required to complete semi-annual certifications.
2017-004	2 C.F.R. 200.305(b) and 2 C.F.R. 200.305(b)(1) – Grant funds were not expended in a timely manner. 2 C.F.R. 3474.1 and 2 C.F.R. 200.302 (b)(3) – Errors on Project Cash Request forms.	Partially corrected.	The related errors were discovered and explained to the District with the FY17 audit. However, the audit was not released until November 2018. Therefore, the FY18 audit will contain similar errors. The changes to correct the errors have been implemented for the FY19 audit.

SHAWNEE LOCAL SCHOOLS

Board of Education
3255 Zurmehly Rd.
Lima, OH 45806-1499



CHRIS CROSS
TREASURER

TELEPHONE 419.998.8044
FAX 419.998.8050

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **June 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Shawnee Local School District will continue to report financial data in the same manner, until the Board directs the Treasurer to report using GAAP.	N/A	Chris Cross, School Board Members
2018-002	Shawnee Local School District will require employees paid from the Child Nutrition Cluster and other non-federally funded sources to complete semi-annual certifications. As suggested, a reminder system has been established.	Ongoing	Chris Cross, Sally Allen, Employees
2018-003	Shawnee Local School District will review the procedures on PCR forms to ensure accuracy.	Ongoing	Chris Cross

OHIO AUDITOR OF STATE KEITH FABER



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
MAY 30, 2019**