



Dave Yost • Auditor of State

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, Ohio, as of June 30, 2017, 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.

Accounting Basis

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

Other Matters

Supplemental 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 October 3, 2018, 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2018

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Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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, 2017. 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 2017 are as follows:

- In total, net position decreased \$2,107,873, which was a 13 percent decrease from 2016.
- Outstanding debt decreased from \$2,383,364 to \$1,796,238 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 2017, 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, 2017
(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 2017?" 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, 2017
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to 2016.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2017	2016
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 13,536,051	\$ 15,643,924
Net Position		
Restricted for:		
Capital Outlay	\$ 373,916	\$ 703,651
Debt Service	87	90
Other Purposes	625,460	653,833
Unrestricted	12,536,588	14,286,350
<i>Total Net Position</i>	<i>\$ 13,536,051</i>	<i>\$ 15,643,924</i>

Net position of the governmental activities decreased \$2,107,873, which represents a 13 percent decrease from fiscal year 2016. The decrease in unrestricted net position of \$1,749,762 is the result of an increase in regular and special instruction from fiscal year 2016. This increase is primarily due to severance benefits paid to retiring employees, step increases, employee raises of 2 percent and an increased number of employees. The decrease in net position restricted for capital outlay from fiscal year 2016 is the result of an increase in permanent improvements made to buildings and grounds expenditures and the purchase of a bus and districtwide textbooks.

A portion of the School District's net position, \$999,463 or 7 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$12,536,588 may be used to meet the School District's ongoing obligations.

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Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2017	2016
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 2,707,843	\$ 2,779,088
Operating Grants, Contributions and Interest	2,227,833	2,305,613
Capital Grants and Contributions	24,960	3,285
<i>Total Program Receipts</i>	<u>4,960,636</u>	<u>5,087,986</u>
General Receipts		
Property Taxes	12,481,608	12,184,169
Grants and Entitlements not Restricted to Specific Programs	8,317,005	8,306,493
Insurance Recoveries	0	57,802
Investment Earnings	111,284	70,864
Miscellaneous	166,392	209,775
<i>Total General Receipts</i>	<u>21,076,289</u>	<u>20,829,103</u>
<i>Total Receipts</i>	<u>26,036,925</u>	<u>25,917,089</u>
Program Disbursements		
Instruction:		
Regular	10,890,132	10,245,527
Special	2,760,403	2,342,747
Student Intervention Services	204,702	186,746
Other	1,874,973	1,790,058
Support Services:		
Pupils	1,610,817	1,553,808
Instructional Staff	679,078	727,676
Board of Education	70,381	74,932
Administration	1,798,934	1,763,341
Fiscal	502,232	467,766
Operation and Maintenance of Plant	3,318,352	2,915,011
Pupil Transportation	1,448,256	1,338,524
Central	66,171	71,074
Operation of Non-Instructional Services:		
Food Service Operations	953,792	1,025,377
Community Services	256,266	264,075
Extracurricular Activities	980,417	927,811
Capital Outlay	95,489	0
Debt Service:		
Principal Retirement	587,126	587,126
Interest and Fiscal Charges	47,277	57,538
<i>Total Program Disbursements</i>	<u>28,144,798</u>	<u>26,339,137</u>
<i>Change in Net Position</i>	<u>(2,107,873)</u>	<u>(422,048)</u>
<i>Net Position Beginning of Year</i>	<u>15,643,924</u>	<u>16,065,972</u>
<i>Net Position End of Year</i>	<u>\$ 13,536,051</u>	<u>\$ 15,643,924</u>

Shawnee Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Instruction regular and special increased from 2016 by \$1,062,261 due to severance benefits paid to retiring employees, step increases, employee raises of 2 percent and an increased number of employees. Operation and maintenance of plant expenditures increased from 2016 by \$403,341 due to the improvements made to buildings and grounds.

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 `1.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2017	2016	2017	2016
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 10,890,132	\$ 10,245,527	\$ 9,200,730	\$ 8,424,876
Special	2,760,403	2,342,747	1,469,641	1,087,669
Student Intervention Services	204,702	186,746	204,702	186,746
Other	1,874,973	1,790,058	1,847,598	1,790,058
Support Services:				
Pupils	1,610,817	1,553,808	1,600,087	1,521,005
Instructional Staff	679,078	727,676	665,207	652,729
Board of Education	70,381	74,932	70,381	74,932
Administration	1,798,934	1,763,341	1,674,191	1,613,975
Fiscal	502,232	467,766	502,232	467,766
Operation and Maintenance of Plant	3,318,352	2,915,011	3,307,652	2,904,526
Pupil Transportation	1,448,256	1,338,524	1,436,730	1,302,296
Central	66,171	71,074	66,171	71,006
Operation of Non-Instructional Services:				
Food Service Operations	953,792	1,025,377	(94,716)	(21,180)
Community Services	256,266	264,075	(7,377)	17,486
Extracurricular Activities	980,417	927,811	532,501	512,597
Capital Outlay	95,489	0	74,029	0
Debt Service:				
Principal Retirement	587,126	587,126	587,126	587,126
Interest and Fiscal Charges	47,277	57,538	47,277	57,538
<i>Total</i>	<u>\$ 28,144,798</u>	<u>\$ 26,339,137</u>	<u>\$ 23,184,162</u>	<u>\$ 21,251,151</u>

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, 2017
(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 \$13,536,051, which is lower than the prior year balance of \$15,643,924.

The General Fund's fund balance decreased \$1,739,690 in fiscal year 2017. Despite the School District's cost-saving efforts, disbursements still exceeded cash received into the General Fund, causing a negative change in fund balance. Regular and special instruction disbursements increased due to the reasons previously discussed.

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 2017, the School District amended its General Fund budget. For the General Fund, final budget basis receipts were \$22,010,150, which is over the original budgeted receipts by \$187,085. The largest budget increases were in public utility personal property taxes. Actual receipts of \$22,031,693 were \$21,543 higher than the final budget due to an underestimation of intergovernmental revenue.

For fiscal year 2017, the General Fund final budget basis disbursements were \$23,923,447 which is more than the original budgeted disbursements of \$23,235,693. Actual disbursements of \$23,805,609 were \$117,838 lower than the final budget due to an overall overestimation of disbursements.

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, 2017 and 2016.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2017	2016
Series 2014 Tax Anticipation Note	\$ 666,668	\$ 1,111,112
2013 HB264 Energy Conservation Loan	825,000	900,000
2014 HB264 Energy Conservation Loan	304,570	372,252
<i>Total</i>	\$ 1,796,238	\$ 2,383,364

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, 2017
(Unaudited)
(Continued)

Current Issues

The School District experienced deficit spending in its general fund of \$1,739,690 for fiscal year 2017. This represents an increase from the previous year's deficit in the amount of \$666,726.

Shawnee Local School District's General Fund receipts increased from fiscal year 2016. 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 2018.

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 70-74 percent of its annual budget on salaries, wages and benefits in fiscal year 2017.

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

All of the School District's buildings are more than 40 years old and their maintenance is a major concern to the Board of Education. It is critical that facilities are secure, safe, structurally and operationally sound; therefore a permanent improvement levy has been approved by the School District voters since the early 1970's. This levy generates approximately \$1 million dollars 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. It is estimated that changes in the budget at the state level will reduce the receipt from this levy in future fiscal years.

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, 2017
(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, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 13,536,051</u>
<i>Total Assets</i>	<u>13,536,051</u>
Net Position	
Restricted for:	
Capital Outlay	373,916
Debt Service	87
Other Purposes	625,460
Unrestricted	<u>12,536,588</u>
<i>Total Net Position</i>	<u><u>\$ 13,536,051</u></u>

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, 2017

	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	\$ 10,890,132	\$ 1,637,907	\$ 51,495	\$ 0	\$ (9,200,730)
Special	2,760,403	64,881	1,225,881	0	(1,469,641)
Student Intervention Services	204,702	0	0	0	(204,702)
Other	1,874,973	0	27,375	0	(1,847,598)
Support Services:					
Pupils	1,610,817	0	10,730	0	(1,600,087)
Instructional Staff	679,078	0	13,871	0	(665,207)
Board of Education	70,381	0	0	0	(70,381)
Administration	1,798,934	0	124,743	0	(1,674,191)
Fiscal	502,232	0	0	0	(502,232)
Operation and Maintenance of Plant	3,318,352	0	7,200	3,500	(3,307,652)
Pupil Transportation	1,448,256	0	11,526	0	(1,436,730)
Central	66,171	0	0	0	(66,171)
Operation of Non-Instructional Services:					
Food Service Operations	953,792	581,305	467,203	0	94,716
Community Services	256,266	0	263,643	0	7,377
Extracurricular Activities	980,417	423,750	24,166	0	(532,501)
Capital Outlay	95,489	0	0	21,460	(74,029)
Debt Service:					
Principal Retirement	587,126	0	0	0	(587,126)
Interest and Fiscal Charges	47,277	0	0	0	(47,277)
Totals	\$ 28,144,798	\$ 2,707,843	\$ 2,227,833	\$ 24,960	(23,184,162)

General Receipts

Property Taxes Levied for:	
General Purposes	11,517,580
Debt Service	459,434
Capital Outlay	504,594
Grants and Entitlements not Restricted to Specific Programs	8,317,005
Investment Earnings	111,284
Miscellaneous	166,392
Total General Receipts	21,076,289
Change in Net Position	(2,107,873)
Net Position Beginning of Year	15,643,924
Net Position End of Year	\$ 13,536,051

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, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 12,567,277	\$ 968,774	\$ 13,536,051
<i>Total Assets</i>	<u>\$ 12,567,277</u>	<u>\$ 968,774</u>	<u>\$ 13,536,051</u>
Fund Balances			
Nonspendable	\$ 8,877	\$ 0	\$ 8,877
Restricted	0	990,584	990,584
Committed	75,000	0	75,000
Assigned	2,603,114	0	2,603,114
Unassigned	9,880,286	(21,810)	9,858,476
<i>Total Fund Balances</i>	<u>\$ 12,567,277</u>	<u>\$ 968,774</u>	<u>\$ 13,536,051</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 11,517,580	\$ 964,027	\$ 12,481,607
Intergovernmental	8,744,918	1,755,581	10,500,499
Investment Income	110,931	8,095	119,026
Tuition and Fees	1,747,399	0	1,747,399
Extracurricular Activities	93,608	284,977	378,585
Gifts and Donations	14,517	47,039	61,556
Charges for Services	0	577,321	577,321
Rent	4,540	0	4,540
Miscellaneous	164,431	1,961	166,392
<i>Total Receipts</i>	<u>22,397,924</u>	<u>3,639,001</u>	<u>26,036,925</u>
Disbursements			
Current:			
Instruction:			
Regular	10,646,180	243,952	10,890,132
Special	2,075,306	685,097	2,760,403
Student Intervention Services	204,702	0	204,702
Other	1,847,310	27,663	1,874,973
Support Services:			
Pupils	1,599,974	10,843	1,610,817
Instructional Staff	578,173	100,905	679,078
Board of Education	70,381	0	70,381
Administration	1,672,834	126,100	1,798,934
Fiscal	487,988	14,244	502,232
Operation and Maintenance of Plant	2,722,511	595,841	3,318,352
Pupil Transportation	1,377,793	70,463	1,448,256
Central	66,171	0	66,171
Extracurricular Activities	611,677	368,740	980,417
Operation of Non-Instructional Services:			
Food Service Operations	0	953,792	953,792
Other	0	256,266	256,266
Capital Outlay	0	95,489	95,489
Debt Service:			
Principal Retirement	0	587,126	587,126
Interest and Fiscal Charges	0	47,277	47,277
<i>Total Disbursements</i>	<u>23,961,000</u>	<u>4,183,798</u>	<u>28,144,798</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,563,076)</u>	<u>(544,797)</u>	<u>(2,107,873)</u>
Other Financing Sources (Uses)			
Transfers In	0	176,614	176,614
Transfers Out	(176,614)	0	(176,614)
<i>Total Other Financing Sources (Uses)</i>	<u>(176,614)</u>	<u>176,614</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,739,690)	(368,183)	(2,107,873)
<i>Fund Balances Beginning of Year</i>	<u>14,306,967</u>	<u>1,336,957</u>	<u>15,643,924</u>
<i>Fund Balances End of Year</i>	<u>\$ 12,567,277</u>	<u>\$ 968,774</u>	<u>\$ 13,536,051</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 11,290,135	\$ 11,517,580	\$ 11,517,580	\$ 0
Intergovernmental	8,682,212	8,705,221	8,744,918	39,697
Investment Income	70,752	120,752	110,931	(9,821)
Tuition and Fees	1,750,587	1,641,218	1,640,547	(671)
Gifts and Donations	796	1,796	1,400	(396)
Charges for Services	9,652	4,652	0	(4,652)
Rent	4,130	5,130	4,540	(590)
Miscellaneous	14,801	13,801	11,777	(2,024)
<i>Total Receipts</i>	<u>21,823,065</u>	<u>22,010,150</u>	<u>22,031,693</u>	<u>21,543</u>
Disbursements				
Current:				
Instruction:				
Regular	10,334,868	10,544,365	10,535,180	9,185
Special	1,810,884	2,079,078	2,075,306	3,772
Student Intervention Services	191,117	204,944	204,702	242
Other	1,845,499	1,848,143	1,847,310	833
Support Services:				
Pupils	1,565,734	1,609,697	1,601,022	8,675
Instructional Staff	579,831	596,443	590,334	6,109
Board of Education	82,049	83,614	70,381	13,233
Administration	1,688,472	1,701,122	1,673,457	27,665
Fiscal	467,568	524,604	522,746	1,858
Operation and Maintenance of Plant	2,753,803	2,743,660	2,733,764	9,896
Pupil Transportation	1,314,340	1,412,392	1,377,793	34,599
Central	73,312	66,565	66,171	394
Extracurricular Activities	528,216	508,820	507,443	1,377
<i>Total Disbursements</i>	<u>23,235,693</u>	<u>23,923,447</u>	<u>23,805,609</u>	<u>117,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,412,628)</u>	<u>(1,913,297)</u>	<u>(1,773,916)</u>	<u>139,381</u>
Other Financing Sources (Uses)				
Refund of Prior Year Disbursements	169,225	169,225	143,324	(25,901)
Insurance Recoveries	1,435	0	0	0
Transfers In	0	225,000	225,000	0
Transfers Out	(183,926)	(176,614)	(176,614)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(13,266)</u>	<u>217,611</u>	<u>191,710</u>	<u>(25,901)</u>
<i>Net Change in Fund Balance</i>	(1,425,894)	(1,695,686)	(1,582,206)	113,480
<i>Fund Balance Beginning of Year</i>	13,817,867	13,817,867	13,817,867	0
Prior Year Encumbrances Appropriated	107,649	107,649	107,649	0
<i>Fund Balance End of Year</i>	<u>\$ 12,499,622</u>	<u>\$ 12,229,830</u>	<u>\$ 12,343,310</u>	<u>\$ 113,480</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, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,246,732	\$ 40,682
<i>Total Assets</i>	1,246,732	\$ 40,682
 Net Position		
Endowments	1,176,147	\$ 0
Held in Trust for Scholarships	70,576	0
Held for Student Activities	0	40,682
Held for Staff Awards	9	0
<i>Total Net Position</i>	\$ 1,246,732	\$ 40,682

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 679
Interest	9,125
	9,804
 Deductions	
Payments in Accordance with Trust Agreements	20,961
	20,961
<i>Change in Net Position</i>	(11,157)
<i>Net Position Beginning of Year</i>	1,257,889
<i>Net Position End of Year</i>	\$ 1,246,732

See accompanying notes to the basic financial statements.

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Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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.

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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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

FUND FINANCIAL STATEMENTS

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

General Fund – The General Fund 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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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.

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."

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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 2017, investments were limited to negotiable certificates of deposit, STAR Ohio, a money market and U.S. Government and Agencies Securities.

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 2017, 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 \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2017 were \$110,931, which includes \$2,022 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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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.

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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2017, the School District did not have any net position restricted by enabling legislation.
2. Unrestricted net position - All other net position that do not meet the definition of “restricted.”

FUND FINANCIAL STATEMENTS

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

1. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. 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.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

4. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. 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.
5. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Receipts and Disbursements

Program Receipts

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

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

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems 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, 2017
(Continued)

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2017, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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, 2017
(Continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage, 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. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(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.

Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$1,703,639. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$1,222,584 of the School District's bank balance of \$1,976,570 was exposed to custodial risk as discussed above, while \$753,986 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$53,286 held in a STAR Plus account. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2017, the School District had \$7,600 in undeposited cash on hand.

Investments

As of June 30, 2017, the School District had the following investments:

	Cost	% of Total Investments	Maturities	
			< 1 year	1 - 3 years
Money Market	\$ 30,728	0.23%	\$ 30,728	\$ 0
Federal Home Loan Mortgage Corporation	2,194,340	16.74%	1,694,342	499,998
Federal Home Loan Bank	593,875	4.53%	593,875	0
Federal National Mortgage	3,493,164	26.64%	1,795,918	1,697,246
Federal Farm Credit Bank	1,169,323	8.92%	0	1,169,323
Freddie Mac	622,037	4.74%	0	622,037
Negotiable Certificates of Deposit	3,236,000	24.68%	1,494,000	1,742,000
STAR Ohio	1,772,759	13.52%	1,772,759	0
<i>Total Investments</i>	\$ 13,112,226	100.00%	\$ 7,381,622	\$ 5,730,604

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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.

Custodial Credit Risk

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

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, Federal Farm Credit Bank and negotiable certificates of deposits that have credit ratings of AA+ and Aaa from S&P Global Ratings and Moody's Investor Services, respectively. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 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 25 percent of the interim monies available for investment at any one time. The percentage of the School District's total investment that each investment represents, are listed in the table on the previous page.

NOTE 5 – PROPERTY TAXES

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

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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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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, 2017, are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second-Half		2017 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 316,804,360	76.5%	\$ 318,733,655	74.2%
Industrial/Commercial	64,333,110	15.5%	64,745,170	15.1%
Public Utility	33,168,300	8.0%	46,019,010	10.7%
Total Assessed Value	<u>\$ 414,305,770</u>	<u>100.0%</u>	<u>\$ 429,497,835</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$34.90		\$34.57	

NOTE 6 – DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2017 consisted of the following:

	Interest Rate	Principal			Principal Outstanding 06/30/17	Due Within One Year	Due in More Than One Year
		Outstanding 06/30/16	Additions	Reductions			
Series 2014 Tax Anticipation Note	1.50%	1,111,112	0	444,444	666,668	444,445	222,223
HB264 Energy Conservation Notes - 2013	2.75%	900,000	0	75,000	825,000	75,000	750,000
HB264 Energy Conservation Notes - 2014	2.27%	372,252	0	67,682	304,570	67,682	236,888
<i>Total</i>		<u>\$ 2,383,364</u>	<u>\$ 0</u>	<u>\$ 587,126</u>	<u>\$ 1,796,238</u>	<u>\$ 587,127</u>	<u>\$ 1,209,111</u>

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

Principal and interest requirements for payment of debt obligations as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Tax			Total
	HB264	Anticipation	Interest	
2018	\$ 142,682	\$ 444,445	\$ 37,021	\$ 624,148
2019	142,682	222,223	26,762	391,667
2020	142,682	0	21,499	164,181
2021	142,682	0	17,902	160,584
2022	108,842	0	14,304	123,146
2023-2027	375,000	0	38,673	413,673
2028	75,000	0	1,547	76,547
Total	\$ 1,129,570	\$ 666,668	\$ 157,708	\$ 1,953,946

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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 2017, 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 2017, the School District's Worker's Compensation managed care organization is contracted with Sheakley Uniservice, Inc.

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

C. Health Care Benefits

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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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.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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.

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$668,688 for fiscal year 2017.

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.

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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.

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, 2017, 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 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,510,416 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of July 1 2016, 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 is based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Employer contributions were determined based on the 14 percent employer rate and total member contributions from employer payroll reports for the year ended June 30, 2016:

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	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 32,065,886	\$ 8,356,944	\$ 40,422,830
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09579623%	0.11418030%	
Prior Measurement Date	0.09640079%	0.11444240%	
Change in Proportionate Share	<u>-0.00060456%</u>	<u>-0.00026210%</u>	

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 termination). 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2016, 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	3.00 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 were based on 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 disable 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.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The discount rate, assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability and mortality rates were also updated to more closely reflect actual experience.

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:

<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
	100.00 %	

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.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 11,064,074	\$ 8,356,944	\$ 6,090,965

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00 %</u>	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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, 2016, calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 42,612,957	\$ 32,065,886	\$ 23,168,810

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of July 1, 2016. The most significant change is a reduction in the discount rate to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

NOTE 10 – POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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.

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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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$64,821.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$36,552. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 11 – FUND BALANCE

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

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:			
Unclaimed Monies	\$ 8,877	\$ 0	\$ 8,877
Restricted for:			
Debt Service	0	87	87
Permanent Improvements	0	373,916	373,916
Nature Trail	0	12,188	12,188
Food Service Operations	0	509,738	509,738
Extracurricular	0	53,006	53,006
Educational Activities	0	34,449	34,449
Other Purposes	0	7,200	7,200
Total Restricted	<u>0</u>	<u>990,584</u>	<u>990,584</u>
Committed for:			
Future Severance Payments	75,000	0	75,000
Total Committed	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Assigned for:			
Instruction	31,054	0	31,054
Support Services	59,843	0	59,843
Extracurricular	4,492	0	4,492
Subsequent Year Appropriations	2,507,725	0	2,507,725
Total Assigned	<u>2,603,114</u>	<u>0</u>	<u>2,603,114</u>
Unassigned	<u>9,880,286</u>	<u>(21,810)</u>	<u>9,858,476</u>
Total Fund Balance	<u><u>\$12,567,277</u></u>	<u><u>\$ 968,774</u></u>	<u><u>\$ 13,536,051</u></u>

NOTE 12 – 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.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2017.

	Capital Maintenance Reserve
Set Aside Restricted Balance June 30, 2016	\$ 0
Current Year Set Aside Requirement	451,709
Current Year Offsets	(624,520)
Total	\$ (172,811)
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set Aside Restricted Balance June 30, 2017	\$ 0

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 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 public School Districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary’s and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member School Districts within each county. Financial information can be obtained from Maria Rellinger, who serves as Director, 4277 East Road, Lima, OH 45807.

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

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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, 2017, 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. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School District for fiscal year 2017 and determined the School District was underpaid by \$42,939.

Shawnee Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(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	\$ 101,676
Nonmajor Governmental	306,794
	<u>\$ 408,470</u>

E. Contractual Commitment

At June 30, 2017, the School District had a \$114,050 outstanding contractual commitment to Farnham Equipment Company for the replacement of gym seating.

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 2017 transfers were made from the General fund to the H.B. 264 fund for \$174,966 to meet debt service requirements and \$1,648 to Title I fund to cover disbursements.

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, 2017
(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:

	General Fund
Cash Basis	\$ (1,739,690)
Funds Budgeted Elsewhere **	232,387
Adjustment for Encumbrances	(74,903)
Budget Basis	\$ (1,582,206)

** 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 – ACCOUNTABILITY AND COMPLIANCE

A. 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 2017, 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, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

B. Accountability

For fiscal year 2017, the School District had deficit fund balances in the following non-major governmental funds:

Nonmajor Funds	Deficit
IDEA Part B	\$ 9,946
Title I	11,864
	\$ 21,810

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
(Passed Through Ohio Department of Education)		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
School Breakfast Program	10.553	\$8,935
National School Lunch Program	10.555	80,410
Cash Assistance:		
School Breakfast Program	10.553	59,299
National School Lunch Program	10.555	395,135
Total Child Nutrition Cluster		<u>543,779</u>
Total U.S. Department of Agriculture		<u>543,779</u>
U.S. DEPARTMENT OF EDUCATION		
(Passed Through Ohio Department of Education)		
Title I Grants to Local Educational Agencies	84.010	383,944
Special Education Cluster (IDEA):		
Special Education_Grants to States	84.027	496,048
Total Special Education Cluster (IDEA)		<u>496,048</u>
Supporting Effective Instruction State Grants	84.367	<u>48,014</u>
Total U.S. Department of Education		<u>928,006</u>
Total Expenditures of Federal Awards		<u><u>\$1,471,785</u></u>

The accompanying notes are an integral part of this schedule.

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**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, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Shawnee Local School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2017. 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, as applicable, either the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or 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 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2016 to 2017</u>
Title I Grants to Local Educational Agencies	84.010	\$ 8,342
Supporting Effective Instruction State Grants	84.367	\$ 963
Special Education-Grants to States	84.027	\$ 78,611

**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, 2017
(Continued)**

NOTE G – PASS THROUGH FUNDS

The School District was awarded federal programs allocations to be administered on their behalf by the Allen County Educational Service Center. For 2017, the School District's allocation was as follows:

Special Education Preschool Grants - CFDA #84.173.....\$5,513



Dave Yost • Auditor of State

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, 2017, 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 October 3, 2018 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

School District's Responses to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Shawnee Local School District'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, 2017. 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 the Child Nutrition Cluster and Special Education Cluster (IDEA)

As described in Findings 2017-003 and 2017-004 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
2017-003	10.553/10.555	Child Nutrition Cluster	Allowable Costs/Cost Principles
2017-004	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 the Child Nutrition Cluster and Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster and the Special Education Cluster (IDEA)* paragraph, 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) major federal programs for the fiscal year ended June 30, 2017.

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 2017-003 and 2017-004.

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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2018

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**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2017**

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

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

FINDING NUMBER 2017-001

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. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while 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.

To help provide the users with more meaningful financial statements, the School District should prepare its financial statements in accordance with 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.

FINDING NUMBER 2017-002

NONCOMPLIANCE/FINDING FOR RECOVERY – MIDDLE SCHOOL STUDENT RECEIPTS

Student material fees collections, deposits and processing were one of the primary responsibilities of former Middle School Secretary, Kimberly Hall. Ms. Hall was also the initial point of contact for students and parents who made payments to the school office for various middle school student activities. Additionally, Ms. Hall was responsible for receiving monies collected by the teachers for Camp Wilson field trip, yearbook, and other miscellaneous receipts. Ms. Hall was responsible for the preparation and deposit of monies she collected to the school treasurer's office. On March 14, 2016, Ms. Hall became the Facilities Administrative Assistant at the school.

We examined all student fee receipts recorded by Ms. Hall to the school's student fee subsidiary accounting system for the period August 1, 2012 through April 30, 2016, and compared the receipts to deposits made to the school treasurer's office. We identified receipts totaling \$19,708 in which the monies collected were not deposited with the school treasurer's office.

We examined all supporting documentation attached to cashier receipts and support maintained in a Camp Wilson field trip folder and receipt book for the period July 1, 2013 through April 30, 2016, and compared to deposits made to the school treasurer's office. We identified \$8,312 in which the monies collected were not deposited with the school treasurer's office.

We examined all yearbook receipts from yearbook order forms, class rosters and cashier receipt books for the period July 1, 2013 through April 30, 2016, and compared to deposits with the school treasurer's office. We identified \$2,994 in which the monies collected were not deposited with the school treasurer's office.

**FINDING NUMBER 2017-002
 (Continued)**

We examined all miscellaneous receipts from supporting documentation attached to cashier receipt books, Jr. Optimist student activity green book, receipt books and checks deposited into the Shawnee Baseball Booster Association of which Ms. Hall was the Treasurer for the period August 1, 2012 through April 30, 2016, and compared to deposits made to the school treasurer's office. We identified \$2,666 in which monies collected were not deposited with the school treasurer's office.

We examined all building and grounds rental receipts from a google document used to track the invoicing and receipting of these receipts for the period March 14, 2016 through June 6, 2016, and compared to deposits made to the school treasurer's office. We identified \$720 in which monies collected were not deposited with the school treasurer's office.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies converted or misappropriated in the amount of \$34,400 is hereby issued against Kimberly Hall and in favor of the Shawnee Local School District Uniform School Supplies Fund for \$20,283, General Fund for \$746, Middle School Principals Fund for \$10,110, Middle School Yearbook Fund for \$3,021, and Middle School Faculty Fund for \$240.

OFFICIALS' RESPONSE: The Shawnee Board of Education made changes to the internal control processes and cash handling procedures of the District in an effort to prevent future incidents. Internal audits are being continuously conducted by the Treasurer's Office.

3. FINDINGS FOR FEDERAL AWARDS

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

Finding Number	2017-003		
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 - 2017		
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?	No	Finding Number (if repeat)	N/A

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.430 (a)** which states, 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.

**FINDING NUMBER 2017-003
 (Continued)**

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.

Semi-annual certifications were not maintained for twenty-eight out of the twenty-nine employees paid from the Child Nutrition Cluster (97%) and other non-federally funded sources.

The failure to complete and retain proper 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: Shawnee Local School District will require employees paid from the Child Nutrition Cluster and other non-federally funded sources to complete semi-annual certifications.

Noncompliance Citation / Material Weakness – Cash Management

Finding Number	2017-004		
CFDA Title and Number	Special Education Cluster (IDEA) CFDA #84.027		
Federal Award Identification Number / Year	Special Education Cluster (IDEA) CFDA #84.027 - 2017		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Cash Management		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

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. **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.

**FINDING NUMBER 2017-004
(Continued)**

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

- A cash advance of \$21,679 was requested on October 27, 2016. At this time, the balance of the fiscal year 2017 Special Education Cluster (IDEA) Fund was negative \$15,414. The cash requested totaled \$37,093, including the advance and negative balance. This cash request was recorded as received on November 7, 2016 and as of November 18, 2016, the balance on hand was \$808. After an additional expenditure was posted on November 18, 2016, the balance was reduced to a negative \$8,403;
- A cash advance of \$475 was requested on February 7, 2017 to cover a reported negative cash balance on hand of \$475 on the project cash request. As of February 7, 2017, the actual cash balance of the fiscal year 2017 Dyslexia Grant Fund was a negative \$73, which resulted in a remaining cash balance of \$402. This cash request was recorded as received on February 14, 2017 and as of June 30, 2017 the balance on hand was \$402; and
- A cash advance of \$49,445 was requested on June 7, 2017 to cover a reported negative cash balance on hand of \$49,445 on the project cash request. As of June 7, 2017, the actual cash balance of the fiscal year 2017 Special Education Cluster (IDEA) Fund was a negative \$23,838, which resulted in a remaining cash balance of \$25,607. This cash request was recorded as received on June 13, 2017 and as of June 28, 2017, the balance on hand was \$4,495. On June 30, 2017, the balance was reduced to a negative \$5,085.

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.

The following reporting errors were identified on fiscal year 2017 project cash request (PCR) forms:

- For the Dyslexia Pilot PCR request dated February 7, 2017, the negative cash balance on hand was overstated by \$40;
- For the PCR request dated November 30, 2016, the negative cash balance on hand was understated by \$306;
- For the PCR request dated March 10, 2017, the negative cash balance on hand was understated by \$849;
- For the PCR request dated April 6, 2017, the negative cash balance on hand was overstated by \$8,806 and cash basis expenditures were overstated by \$8,805;
- For the PCR request dated April 28, 2017, the negative cash balance on hand was understated by \$498;
- For the PCR request dated May 17, 2017, the negative cash balance on hand was overstated by \$11,979; and
- For the PCR request dated June 7, 2017, the negative cash balance on hand was overstated by \$25,607 and cash basis expenditures were overstated by \$25,606.

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 PCR reports.

OFFICIALS' RESPONSE: Shawnee Local School District will review the procedures on PCR forms to ensure accuracy.

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 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	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.

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FAX 419.998.8050

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
Fiscal Year End June 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	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
2017-002	The Shawnee Board of Education made changes to the internal control processes and cash handling procedures of the District in an effort to prevent future incidents. Internal audits are being continuously conducted by the Treasurer's Office.	Ongoing	Chris Cross, School Board Members
2017-003	Shawnee Local School District will require employees paid from the Child Nutrition Cluster and other non-federally funded sources to complete semi-annual certifications.	Ongoing	Chris Cross, Sally Allen, Employees
2017-004	Shawnee Local School District will review the procedures on PCR forms to ensure accuracy.	Ongoing	Chris Cross

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Dave Yost • Auditor of State

SHAWNEE LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2018