

Shawnee Local School District
Allen County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Shawnee Local School District, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2009

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ALLEN COUNTY
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Independent Auditor's Report

Shawnee Local School District
3255 Zurmehly Road
Lima, Ohio 45806

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shawnee Local School District (the School District), Allen County, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting or on compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*.



Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2008

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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, 2008. 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 2008 are as follows:

- ❑ General Receipts accounted for \$23,145,581 or 84% of all receipts. Program specific receipts in the form of charges for services and sales, operating and capital grants, contributions and interest accounted for \$4,523,013 or 16% of total receipts of \$27,668,597.
- ❑ The School District had \$22,135,286 in disbursements related to government activities.
- ❑ The School District's major governmental funds are the general fund and the Permanent Improvement Fund. The general fund had \$21,591,225 in receipts and other financing sources and \$18,160,463 in disbursements and other financing uses. The fund balance of the general fund increased from \$8,801,682 in fiscal year 2007 to \$12,232,444 in fiscal year 2008. The Permanent Improvement Fund had \$3,253,818 in receipts and \$901,434 in disbursements and other financing uses. The Permanent Improvement fund balance increased by \$2,352,384 due to the receipt of proceeds of a tax anticipation note.
- ❑ Net assets of Governmental Activities of the School District at June 30, 2008 totaled \$15,678,669.

Using this Annual Report

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

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

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

Basis of Accounting

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

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

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Fund – Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary fund is an internal service fund used to account for insurance services provided to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis.

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

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

This year's financial statements were prepared on the modified cash basis utilizing the GASB34 format. Table 1 provides a summary of the School District's net assets for 2008 and 2007, comparatively.

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
ASSETS		
Cash & cash equivalents	\$ 15,678,669	\$ 1,512,314
Restricted Cash	0	660,215
Investments	0	7,972,829
	<u>\$ 15,678,669</u>	<u>\$10,145,358</u>
NET ASSETS		
Restricted for:		
Capital Outlay	\$ 2,823,057	\$ 470,673
Other Purposes	554,043	530,796
Budget Stabilization	490,091	490,091
Set Asides	60,987	149,391
Bus Purchase	0	20,733
Unrestricted	<u>11,750,491</u>	<u>8,483,674</u>
Total Net Assets	<u>\$ 15,678,669</u>	<u>\$10,145,358</u>

Net assets of the governmental activities increased \$5,533,311, which represents a 55% increase over the fiscal year 2007 balance. The increase is the result of an increase in grants and entitlements, an issuance of debt and property taxes.

A portion of the School District's net assets, \$3,928,178, represent resources subject to external restrictions on how they may be used. In addition, the remaining balance of the government-wide unrestricted net assets of \$11,750,491 may be used to meet the School District's ongoing obligations.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal years 2008 and 2007, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)

Governmental Activities	Governmental Activities	
	<u>2008</u>	<u>2007</u>
<i>Program Receipts</i>		
Charges for Services	\$ 2,289,950	\$ 2,286,351
Operating Grants	1,883,902	1,603,900
Capital Grants	349,162	20,733
<i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	12,375,248	12,485,815
Capital Projects	527,656	568,195
Grants and Entitlements	7,191,849	6,657,225
Proceeds from issuance of debt	2,400,000	845,157
Other	650,830	1,443,865
<i>Total Receipts</i>	<u>27,668,597</u>	<u>25,911,241</u>
<i>Program Disbursements</i>		
Instruction	11,697,757	10,910,001
Support Services	7,985,474	8,059,261
Food Services	1,062,515	840,487
Non-instructional	368,104	397,428
Extracurricular	841,702	754,375
Capital Outlay	109,195	852,709
Repayment of Debt	70,539	78,091
<i>Total Disbursements</i>	<u>22,135,286</u>	<u>21,892,352</u>
Increase in Net Assets	<u>\$ 5,533,311</u>	<u>\$ 4,018,889</u>

Governmental Activities

Several receipt sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$12.9 million or 56% of general receipts in 2008. Grants and entitlements, also a large contributor, generated \$7.2 million, or 31% of general receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 20% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$11,697,757 or 53% of disbursements with program receipts funding 19% of those costs. Thus, general revenues of \$9,512,271 were used to support the remainder of the instruction costs.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

(Table 3)
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2008	2007	2008	2007
Instruction	\$ 11,697,757	\$ 10,910,001	\$ 9,512,269	\$ 8,934,342
Support Services:				
Pupil and Instructional Staff	1,900,358	1,760,537	1,798,216	1,642,873
Board of Education, Administration, Fiscal and Central	2,171,969	2,295,391	2,144,367	2,131,561
Operation and Maintenance of Plant	2,637,913	2,814,183	2,290,545	2,801,791
Pupil Transportation	1,275,234	1,189,150	1,233,672	1,127,126
Food Services	1,062,515	840,487	(130,739)	(25,681)
Operation of Non-Instructional Services	368,104	397,428	127,439	31,090
Extracurricular Activities	841,702	754,375	467,369	407,466
Capital Outlay	109,195	852,709	98,593	852,709
Repayment of Debt	70,539	78,091	70,539	78,091
Total	\$ 22,135,286	\$ 21,892,352	\$17,612,270	\$ 17,981,368

Instruction and student support services comprise 61% of governmental program disbursements. Boards of Education, administration, fiscal and central charges were 10%. Pupil transportation and the operation/maintenance of facilities accounts for 18% of governmental program disbursements. 11% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay and debt service.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has two major governmental funds: the General Fund and the Permanent Improvement Fund. Receipts of the General Fund comprise \$21,573,315 (86%) of the total \$25,221,956 governmental funds' receipts and \$18,059,924 (83%) of the total \$21,834,392 governmental funds' disbursements. Receipts of the Permanent Improvement Fund generated \$853,818 (4%) in receipts and utilized \$901,434 (5%) of the total governmental disbursements.

General Fund – The General Fund cash balance at June 30, 2008 was \$12,232,444 which represents 79% of total governmental funds' cash balances for fiscal year 2008. General fund receipts were more than disbursements by \$3,513,391.

Permanent Improvement Fund – The Permanent Improvement Fund cash balance at June 30, 2008 was \$2,823,057 which represents 18% of total governmental funds' cash balances for fiscal year 2008. The Permanent Improvement Fund receipts were less than disbursements by \$47,616.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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 2008, the School District did not significantly modify its general fund budget. The School District uses budgeting systems to tightly control total budgets but provide flexibility for management.

For the general fund, budget basis actual receipts were \$21,573,315; \$179,163 under the final budget estimates of \$21,756,478. Of this decrease, most was attributable to a decrease in tuition and fees receipts. Budget basis actual disbursements were \$18,109,162; \$755,862 under the final budget estimates of \$18,865,024. Of this decrease, most was due to a decrease in special instruction and operation and maintenance of plants.

Set Asides and Debt Administration

Set Asides

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks. For fiscal year 2008, this amounted to \$404,745 for each set aside. Further information on statutory reserves can be found in Note 10 in the notes to the basic financial statements.

Debt

At June 30, 2008, the School District's outstanding debt included a HB 264 Energy Conservation Loan totaling \$762,294 for the purpose of providing energy conservation measures and a Tax Anticipation Note totaling \$2,400,000. During fiscal year 2008, the School District paid principal of \$42,353 on the HB 264 Loan.

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

Current Issues

The School District's financial condition is currently stable due to two main factors; operating funds from an Emergency Levy passed in March 2004, and aggressive cost cutting and cost containment measures undertaken by the district's administration and Board of Education. Included in this effort is a careful evaluation of all positions that are open due to retirement or resignation of employees. Positions are only filled after an evaluation reaffirms its importance to the District's mission of excellence.

From a funding perspective, the passage of House Bill 66 included revisions to tax laws, including the phase out of the tangible personal property tax, with full revenue replacement from the State of Ohio being phased out over future years. The District has regularly collected approximately 25% of its local taxes from personal property valuation. With this bill, overall revenue will likely decrease over time, and a greater portion of the district's funding will be received from the State of Ohio, which makes it much more susceptible to reductions by the Governor or the State Legislature.

A new state budget will be passed by July 1, 2009, which due to the distressed statewide economy, will be done with state revenues that are not meeting expectations. While the Governor based much of his campaign on a promise to fix the current school funding system which has been found unconstitutional four times by the Ohio Supreme Court, it's likely that the political and economic climate will not allow significant changes that would benefit Shawnee School District.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

In terms of local taxes, current economic conditions have curtailed new building construction, which leads to less new growth in real estate tax collections. The county wide reappraisal of property valuations scheduled for 2009 will also likely lead to little or no growth in property valuations, which again leads to less growth in real estate tax collection.

When looking at expenditures of the school district, approximately 80% are for employee wages and benefits. It's important to the Board of Education that the district is able to attract and keep excellent employees to continue on its mission of excellence. This requires a fair and equitable compensation package which the Board of Education feels is in place. The board is also aware that the residents of the school district are experiencing tough times, so all efforts are and will be made to continue to operate the district on the current tax levies in place.

As with district residents, the school's costs for utilities, fuel and most other supplies are increasing at a rate far greater than the rate of inflation and consume valuable resources that could be put to better use by the district.

The district's buildings are all over 30 years old and their maintenance is a concern of the Board of Education. The district currently ranks 533rd out of 612 districts on the eligibility listing with the Ohio School Facilities Commission. When the district becomes eligible for funding, the current projection is for a 12% contribution from the State of Ohio. The Board of Education is cognizant of the fact that it's unlikely the district will be able to replace any of its current buildings in the near future. In order to more adequately maintain current facilities, the community was asked and voted to replace instead of renew its current permanent improvements levy which expires in 2008. The Allen County Auditor estimates this will increase permanent improvements levy revenue from \$676,190 per year to \$1,227,169 beginning in calendar year 2009.

Contacting the School District's Financial Management

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

Shawnee Local School District
Allen County
Statement of Net Assets - Modified Cash Basis
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,678,669
<i>Total Assets</i>	<u>\$ 15,678,669</u>
Net Assets	
Restricted for:	
Capital Outlay	\$ 2,823,057
Other Purposes	554,043
Budget Stabilization	490,091
Set Asides	60,987
Unrestricted	<u>11,750,491</u>
<i>Total Net Assets</i>	<u>\$ 15,678,669</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Total
Governmental Activities:					
Instruction					
Regular	\$ 8,641,336	\$ 1,078,466	\$ 4,470	\$ 0	\$ (7,558,400)
Special	2,106,238	71,501	1,028,952	0	(1,005,785)
Other	950,183	0	2,099	0	(948,084)
Support Services					
Pupil	746,659	0	72,023	0	(674,636)
Instructional Staff	1,153,699	0	30,119	0	(1,123,580)
Board of Education	51,402	0	0	0	(51,402)
Administration	1,567,176	0	6,930	0	(1,560,246)
Fiscal	544,186	20,672	0	0	(523,514)
Operation and Maintenance of Plant	2,637,913	0	21,205	326,163	(2,290,545)
Pupil Transportation	1,275,234	0	29,165	12,397	(1,233,672)
Central	9,205	0	0	0	(9,205)
Food Services	1,062,515	781,643	411,611	0	130,739
Operation of Non-Instructional Services	368,104	0	240,665	0	(127,439)
Extracurricular Activities	841,702	337,669	36,664	0	(467,369)
Capital Outlay	109,195	0	0	10,602	(98,593)
Debt Service					
Principal	42,353	0	0	0	(42,353)
Interest	28,186	0	0	0	(28,186)
Total Governmental Activities	<u>\$ 22,135,286</u>	<u>\$ 2,289,951</u>	<u>\$ 1,883,903</u>	<u>\$ 349,162</u>	<u>(17,612,270)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	12,375,248
Capital Projects	527,656
Grants and Entitlements not Restricted to Specific Programs	7,191,849
Proceeds from Issuance of Debt	2,400,000
Proceeds from Sale of Capital Assets	3,746
Interest	584,608
Miscellaneous	62,474
Total General Receipts	<u>23,145,581</u>
Change in Net Assets	5,533,311
Net Assets - Beginning of Year	<u>10,145,358</u>
Net Assets - End of Year	<u>\$ 15,678,669</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 11,681,366	\$ 2,823,057	\$ 554,043	\$ 15,058,466
Restricted:				
Cash and Cash Equivalents	551,078	0	0	551,078
<i>Total Assets</i>	<u>\$ 12,232,444</u>	<u>\$ 2,823,057</u>	<u>\$ 554,043</u>	<u>\$ 15,609,544</u>
Fund Balances				
Reserved for Encumbrances	\$ 49,238	\$ 2,376,004	\$ 72,209	\$ 2,497,451
Reserved for Budget Stabilization	490,091	0	0	490,091
Reserved for Textbooks and Instructional Materials	60,987	0	0	60,987
Unreserved:				
Undesignated, Reported in:				
General Fund	11,632,128	0	0	11,632,128
Special Revenue Funds	0	0	481,834	481,834
Capital Projects Funds	0	447,053	0	447,053
<i>Total Fund Balances</i>	<u>\$ 12,232,444</u>	<u>\$ 2,823,057</u>	<u>\$ 554,043</u>	<u>\$ 15,609,544</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
For the Fiscal Year Ended June 30, 2008

Total Governmental Fund Balances \$ 15,609,544

*Amounts reported for governmental activities in the statement of
net assets are different because*

The internal service fund was used by management to charge the costs of insurance to individual funds. The net assets of the internal service fund are included in the governmental activities in the statement of net assets.

69,125

Net Assets of Governmental Activities

\$15,678,669

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 12,375,248	\$ 527,656	\$ 0	\$ 12,902,904
Intergovernmental	7,419,142	215,622	1,616,308	9,251,072
Interest	584,608	23,540	19,107	627,255
Tuition and Fees	1,146,966	0	122,991	1,269,957
Rent	11,108	0	0	11,108
Extracurricular Activities	0	0	337,672	337,672
Gifts and Donations	0	87,000	39,664	126,664
Customer Sales and Services	9,564	0	658,654	668,218
Miscellaneous	26,679	0	427	27,106
<i>Total Receipts</i>	<u>21,573,315</u>	<u>853,818</u>	<u>2,794,823</u>	<u>25,221,956</u>
Disbursements				
Current:				
Instruction				
Regular	8,272,919	299,639	68,778	8,641,336
Special	1,483,564	0	622,674	2,106,238
Other	950,183	0	0	950,183
Support Services				
Pupil	705,027	2,500	39,132	746,659
Instructional Staff	595,699	144,881	112,225	852,805
Board of Education	51,402	0	0	51,402
Administration	1,450,005	2,113	115,058	1,567,176
Fiscal	532,315	11,871	0	544,186
Operation and Maintenance of Plant	2,513,313	112,600	12,000	2,637,913
Pupil Transportation	1,056,599	218,635	0	1,275,234
Central	0	0	9,205	9,205
Food Services Operation	0	0	1,062,515	1,062,515
Operation of Non-Instructional Services	0	0	368,104	368,104
Extracurricular Activities	448,898	0	392,804	841,702
Capital Outlay	0	109,195	0	109,195
Debt Service				
Principal	0	0	42,353	42,353
Interest	0	0	28,186	28,186
<i>Total Disbursements</i>	<u>18,059,924</u>	<u>901,434</u>	<u>2,873,034</u>	<u>21,834,392</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,513,391</u>	<u>(47,616)</u>	<u>(78,211)</u>	<u>3,387,564</u>
Other Financing Sources (Uses)				
Transfers In	0	0	100,539	100,539
Proceeds from Issuance of Debt	0	2,400,000	0	2,400,000
Proceeds from the Sale of Capital Assets	2,827	0	919	3,746
Refund of Prior Year Disbursements	15,083	0	0	15,083
Transfers Out	(100,539)	0	0	(100,539)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,629)</u>	<u>2,400,000</u>	<u>101,458</u>	<u>2,418,829</u>
<i>Net Change in Fund Balances</i>	3,430,762	2,352,384	23,247	5,806,393
<i>Fund Balances - Beginning of Year</i>	<u>8,801,682</u>	<u>470,673</u>	<u>530,796</u>	<u>9,803,151</u>
<i>Fund Balances - End of Year</i>	<u>\$ 12,232,444</u>	<u>\$ 2,823,057</u>	<u>\$ 554,043</u>	<u>\$ 15,609,544</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District

Allen County

*Reconciliation of the Statement of Receipts, Disbursements and Changes in
Fund Balances of Governmental Funds to the Statement of Activities-Modified Cash Basis
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$5,806,393

*Amounts reported for governmental activities in the
statement of activities are different because*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements). (273,082)

Change in Net Assets of Governmental Activities \$5,533,311

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Fund Balance- Budget and Actual-Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Taxes	\$ 11,890,629	\$ 12,515,129	\$ 12,375,248	\$ (139,881)
Intergovernmental	6,881,414	7,417,239	7,419,142	1,903
Interest	527,485	578,444	584,608	6,164
Tuition and Fees	1,149,466	1,161,466	1,146,966	(14,500)
Rent	27,000	27,000	11,108	(15,892)
Gifts and Donations	3,700	3,700	0	(3,700)
Customer Sales and Services	10,000	10,000	9,564	(436)
Miscellaneous	51,500	39,500	26,679	(12,821)
<i>Total Receipts</i>	<u>20,541,194</u>	<u>21,752,478</u>	<u>21,573,315</u>	<u>(179,163)</u>
Disbursements				
Current:				
Instruction				
Regular	8,532,925	8,353,212	8,286,295	66,917
Special	1,598,446	1,589,297	1,484,002	105,295
Other	1,001,434	1,121,100	950,183	170,917
Support Services				
Pupil	695,475	693,280	708,296	(15,016)
Instructional Staff	703,711	685,478	602,929	82,549
Board of Education	62,514	62,514	56,295	6,219
Administration	1,455,407	1,447,639	1,460,297	(12,658)
Fiscal	565,918	568,872	532,389	36,483
Operation and Maintenance of Plant	2,617,722	2,674,547	2,517,975	156,572
Pupil Transportation	1,143,221	1,131,419	1,061,603	69,816
Extracurricular Activities	616,263	537,666	448,898	88,768
<i>Total Disbursements</i>	<u>18,993,036</u>	<u>18,865,024</u>	<u>18,109,162</u>	<u>755,862</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,548,158</u>	<u>2,887,454</u>	<u>3,464,153</u>	<u>576,699</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	5,000	5,000	2,827	(2,173)
Refund of Prior Year Disbursements	10,000	14,210	15,083	873
Transfers Out	(78,091)	(108,091)	(100,539)	7,552
<i>Total Other Financing Sources (Uses)</i>	<u>(63,091)</u>	<u>(88,881)</u>	<u>(82,629)</u>	<u>6,252</u>
Net Change in Fund Balances	1,485,067	2,798,573	3,381,524	582,951
Fund Balances - Beginning of Year	8,728,423	8,728,423	8,728,423	0
Prior Year Encumbrances Appropriated	73,259	73,259	73,259	0
Fund Balances - End of Year	<u>\$ 10,286,749</u>	<u>\$ 11,600,255</u>	<u>\$ 12,183,206</u>	<u>\$ 582,951</u>

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
June 30, 2008

	<u>Governmental Activities</u>	
	<u>Internal Service</u>	
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 69,125	
<i>Total Assets</i>	<u>\$ 69,125</u>	
Net Assets		
Unrestricted	\$ 69,125	
<i>Total Net Assets</i>	<u>\$ 69,125</u>	

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Governmental Activities
	Internal Service
Operating Disbursements	
Fringe Benefits	\$ 108,072
Claims	192,822
	300,894
<i>Total Operating Expenses</i>	
	(300,894)
Non-Operating Receipts	
Interest	7,551
Refund of Prior Year Disbursements	20,261
	27,812
<i>Total Non-Operating Receipts</i>	
	(273,082)
<i>Change in Net Assets</i>	
<i>Net Assets - Beginning of Year</i>	342,207
<i>Net Assets - End of Year</i>	\$ 69,125

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Fiduciary Net Assets - Modified Cash Basis
June 30, 2008

	Private Purpose Trust	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$ 682,620	\$ 30,614
Investments	705,000	0
<i>Total Assets</i>	\$ 1,387,620	\$ 30,614
Net Assets		
Endowments	\$ 1,317,861	\$ 0
Held in Trust for:		
Scholarships	61,562	0
Other Purposes	5,267	0
Staff	2,930	0
Student Activities	0	30,614
<i>Total Net Assets</i>	\$ 1,387,620	\$ 30,614

See accompanying notes to the basic financial statements.

Shawnee Local School District
Allen County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
Additions	
Interest	\$ 66,804
Gifts and Contributions	8,297
<i>Total Additions</i>	75,101
 Deductions	
Payments in Accordance with Trust Agreements	62,250
<i>Total Deductions</i>	62,250
 <i>Change in Net Assets</i>	12,851
 <i>Net Assets - Beginning of Year</i>	1,374,769
 <i>Net Assets - End of Year</i>	\$ 1,387,620

See accompanying notes to the basic financial statements.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Shawnee Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the Local School District staffed by 165 certified teaching personnel and 111 non-certified support personnel to provide services to 2,642 students.

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

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

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

The following activities are included within the reporting entity:

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

The School District is associated with the Northwest Ohio Area Computer Services Cooperative and the Apollo Joint Vocational School which are jointly governed organizations. Information about these organizations is presented in Note 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

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

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of governmental financial statement is on major funds. Each major fund is presented in a single column. Proprietary and 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 three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

General Fund	The General Fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
Permanent Improvement Fund	This fund is used to account for the financial resources to be used for the acquisition, construction and remodeling or repairing of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Fund

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary fund is an internal service fund used to account for insurance services provided to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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

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

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

Tax Budget

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

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

Estimated Resources

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

Appropriations

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months and which are not purchased from pooled cash are reported as investments.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 were \$584,608, which includes \$126,479 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**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 modified cash basis of accounting used by the School District.

G. Long-Term Debt

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

H. Intergovernmental Receipts

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds 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 operating transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, textbooks and instructional materials and budget stabilization.

M. Receipts and Disbursements

Program Receipts

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

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

Operating Receipts and Disbursements

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

Capital Receipts and Disbursements

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement [No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”](#) , and GASB Statement [No. 27, “Accounting for Pensions by State and Local Governmental Employers”](#) , to conform with requirements of GASB Statement [No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”](#) , and GASB Statement [No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”](#).

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

At fiscal year end, the carrying amount of the School District's deposits was \$6,212,248 and the bank balance was \$6,457,775. Of the bank balance, \$452,502 was covered by federal depository insurance and \$6,005,273 was uninsured and collateralized by a 105% public depository pool, which was collateralized with securities held by the financial institution's trust department but not in the School District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2008, the School District had \$6,800 in undeposited cash on hand which is included in the fund balance.

Investments

Investments are reported at cost. As of June 30, 2008, the School District had the following investments:

	Cost as of 06/30/08	% of Total Investment	Maturities	
			0-1 Year	1-5 Years
Federal Home Loan Mortgage Corporation	\$ 1,000,000	9.19%	\$ 0	\$ 1,000,000
Federal Home Loan Bank	6,682,855	61.44	0	6,682,855
Federal National Mortgage Association	3,195,000	29.37	0	3,195,000
Total Investments	<u>\$10,877,855</u>	<u>100.00%</u>	<u>\$ 0</u>	<u>\$10,877,855</u>

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Risk

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

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

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Concentration Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in FHLMC, FHLB and FNMA. These investments are 9.19%, 61.44% and 29.37%, respectively, of the School District's total investments for the amounts listed above.

NOTE 5 - PROPERTY TAXES

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

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2007, tangible personal property is assessed at 12.5% for property. This percentage will be reduced to 6.25% for 2008 and zero for 2009.

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

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

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 5 - PROPERTY TAXES – (continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 313,348,360	69.89%	\$ 318,978,390	77.76%
Industrial/Commercial	51,273,890	11.44%	54,464,500	13.28%
Public Utility	21,455,280	4.78%	20,307,480	4.95%
Tangible Personal Property	<u>62,284,822</u>	<u>13.89%</u>	<u>16,482,399</u>	<u>4.01%</u>
Total Assessed Value	<u>\$ 448,362,352</u>	<u>100.00%</u>	<u>\$ 410,232,769</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.24		\$ 35.08	

NOTE 6 - DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2008 consisted of the following:

	Interest Rate	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Due Within One Year
HB264 Energy Conservation Loan	4.5%	\$ 804,647	\$ 0	\$ 42,353	\$ 762,294	\$ 44,281
Tax Anticipation Note	3.42%	<u>0</u>	<u>2,400,000</u>	<u>0</u>	<u>2,400,000</u>	<u>240,000</u> \$
		<u>\$ 804,647</u>	<u>\$ 2,400,000</u>	<u>\$ 42,353</u>	<u>\$3,162,294</u>	<u>284,281</u>

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

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

Fiscal Year Ending June 30,	HB264	Tax Anticipation	Interest	Total
2009	\$ 44,281	\$ 240,000	\$ 91,495	\$ 375,776
2010	46,296	480,000	101,564	627,860
2011	48,403	480,000	83,041	611,444
2012	50,605	480,000	64,422	595,027
2013	52,908	480,000	45,703	578,611
2014-2018	302,922	240,000	91,638	634,560
2019-2021	216,879	0	17,396	234,275
Total	<u>\$ 762,294</u>	<u>\$2,400,000</u>	<u>\$ 495,259</u>	<u>\$3,657,553</u>

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 7 - RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School District contracted with Indiana Insurance for property and general liability insurance.

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

2. Workers' Compensation

For fiscal year 2008, the School District's Workers' Compensation managed care organization is contracted with Sheakley Uniserve. The School District did not qualify for a Group Rating Program due to prior claims. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria.

3. Health Care Benefits

The School District participates in the Allen County Schools Health Insurance Consortium (the "Consortium"), a consortium of School Districts and other political subdivisions. The School District pays monthly premiums to the Consortium for employee medical and dental insurance coverage. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Vision insurance is through Guardian.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2006 and 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$471,372, \$440,097, and \$446,641, respectively; 100 percent has been contributed for the fiscal years 2008, 2007 and 2006.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (continued)

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website 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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The contribution requirement of plan members and the School District are established and may be amended by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$906,698, \$1,342,587 and \$1,323,899, respectively; 87 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,437 made by the School District and \$5,179 made by the plan members.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2008, two of the Board of Education members are not covered by either STRS or SERS.

NOTE 9 - POST EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$647,641, \$617,624 and \$607,324, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The District's contributions for the year ended June 30, 2008 were \$22,895, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Shawnee Local School District
Allen County**

Notes To The Basic Financial Statements
June 30, 2008

NOTE 9 - POST EMPLOYMENT BENEFITS – (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$111,783, \$103,032 and \$97,624, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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

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

NOTE 10 - STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following modified cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2008.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Carryover Balance, June 30,2007	\$ 149,391	\$ 0	\$ 490,091
Current Year Set Aside Requirement	404,745	404,745	0
Qualify Expenditures	(493,149)	(564,696)	0
Current Year Offsets			
Not Available for Carryover	0	(527,657)	0
Available for Carryover	0	(2,400,000)	0
Balance June 30, 2008	<u>\$ 60,987</u>	<u>(3,087,608)</u>	<u>\$ 490,091</u>
Amount available as an offset to FY09		<u>\$ 2,400,000</u>	

**Shawnee Local School District
Allen County**

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NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

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rAR) 1I 3. Bx s Ara,HAL) 113ArBAAC(Ax49) s) 67h S,HS ,LRHI 3. Bx HIClrB. I -49_) s) ,LRC
RLIHRB1C103. bPHs HS11Pe ,LB,HB,h ,B,CBAbl. G Rr,AL10 _PAC' RCHH 8 AHA8gR H ,Cl 8g. ER 8RC p RC
J ArB) 1. CBAL8RC BA) ,BAL10sB RrFyLRG J R3R 1CAB- ESA1rl RC,nRB1Ch RL0lr Ai 0lr BA3. r31LA10
R33F,Cl I li ArCBHSCIP1Fh ,B SAR,i 10HI 3. BxLRG 1BA APAB1C,HAk. ,3I ACBB Ri I ,C,LRBAARG
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HI. CB- &CRCHRP,ColrI RB1CHRCbA1bBR,Ca 0rII QRF T. ri AC8h S1 LArALRLe ,rAHBr8nf Ms I. B RCs BAA
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31PI) RrAr) ACBx wESA_ 31PI) RrAr) ACBx ,LRi ,IBCHB31P,BHPL bi ,a,L,1C 10 BAs BBA 109 S,1 13ArBA
. G Ar BA i ,rAH1C 10 R T1Ri HICL,IBCI 10 1CA rA3rALACBAAL0rII ARFS 10 BA APaAC 3RrBH3RCI s HS11P
e ,LB,HB, APAB b1Ri L8h S,HS 31LALAL ,BL 1h Cb. il ABCI RC BRZ,Cl R B1r,BF- E1 1bBR,CQ,CRCHRP,ColrI RB1C
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NOTE 12 – CONTRACTUAL COMMITMENTS

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Trlh C' ARBC) 11PCl	fM8 f2	fM8 f2	GH h 1li _ii ,B1Cj gPI b,Cl
1ALBx GPAB,H	om8522	om8522	GH h 1li _ii ,B1Cj GPAB,HRP
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NOTE 13 - CONTINGENCIES

z rRCH.

ESA s HS11Pe ,LB,HBraHAaAi Q,CRCHRP RL,IBRCHA 0rII 0Ai ArRP RG 1BRBA RI ACHAL ,C BA 0lrI 10 lrRCH- ESA
i ,lb. rLA ACB10 Q G L rAHAaAi . G Ar BBA 3r1lrRi L1ACARHF rAk. ,rAL HI 3PRCHA h ,B Bx I L RG HIG ,B1CL
L3AHQ,Ai ,C BBA1rRBR rAA ACBLRG ,LL bdAHB R i ,BbF BBA1rRBR RI ACHAL- _CF i ,LRPH Ai HRI LrAL HIC
0rII L HS R i ,BLHI. B bAHII AREPb,PF 10BAz ACARP& G 1r 1BA R33PHR6PA0. G L- ' 1h AaAr,CBA13,C1C10
I RCRI Ai ACBRCL HS i ,LRPH Ai HRI Lh ,PCIBSRaARI BBA,RPRI aArLA00AHBIC BBA1aArRPQ,CRCHRP31L,B1C10
BAs HS11Pe ,LB,HB,BN CA528o22u-

NOTE 14 - TRANSFERS/ADVANCES

e. r,C 0LHRPFAR o22u8BAs HS11Pe ,LB,HB Ri ABRCI0ArLbAB AAC0 G LRL01PIh lv

	<u>ErRCL0ArLx/C</u>	<u>ErRCL0ArLx . B</u>
z laArCi ACBRV		
z ACARP& G	2	t 228M
_ P9 BAr z laArCi ACBRP& G L	<u>t 228M</u>	<u>2</u>
E1BRPz laArCi ACBRP	<u>t 228M</u>	<u>t 228M</u>

ErRCL0ArL h ArAI Ri AbF BBAz ACARP& G B I laA. GrALB,HBi bRRCHAL B BBA i AbBLAra,HA0 G B I AABi AbB
LArA,HAraAk. ,rAI ACB8RCI B BBAUC,0lrI s HS11Ps. 33PAL0 G B HlaAr 1bPI RB1CL10 BBRB0. G 8i. r,C 0LHRPFAR
o22u-

Shawnee Local School District
Allen County

41BULE1 ESATRLH&CRCHRP s BBA ACB
N CA528o22u

NOTE 14 - TRANSFERS/ADVANCES – (continued)

e . r,Cl QIHRPFAR o22u8BAs HS11Pe ,LB,HBI Ri ACI Ri aRCHALbAB AAC0 Gi L-

NOTE 15 – ACCOUNTABILITY

_ BN CA528o22u8BAE,BAp L3AHRPrAaAC. A0 Gi SRi Ri A,Q,HB0 Gi bRRCHAS,CBARI 1. CB10 f8mf-ESAz ACARP
& Gi 3r1a,i AL BRCL0AL B HlaAr i A,Q,HBbRRCHADS1h AaAr8 B,L,Li 1CA h SAC HRLS ,L CAi Ai - ESAi A,Q,HB0 Gi
bRRCHAL,CB,LrAI b. rLRbPAI rCB0 Gi h RLHARB BBN CA528o22u RLRL AL B10 RBai ,Ib. rLAI ACB.01I BAI rCB
R B1r,BAL-

_ BN CA528o22u8BAUC,0lrI s HS11Ps. 33F L3AHRPrAaAC. A0 Gi SRi Ri A,Q,HB0 Gi bRRCHA,CBARI 1. CB10
& 5q- ESAi A,Q,HB0 Gi bRRCHA,CB,L0 Gi h RLHARB B1. 1S 3RFI ACB.100ALi . r,Cl &IHRP AR o22u-

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

ESA b. il ABRF bRL,L RL 3r1a,i Ai bF RH ,L bRLA . 31C RHL. CBCL 0lr HAIRC BRCLRB1CL 1C BAbRL,L 10 HRLS
rAFA3B8 i,Ib. rLAI ACB8 RG ACH I brRCHAL- ESA s BBA ACB10 QAFA3B8 e ,Ib. rLAI ACB RG) SRCI AL ,C & Gi
TRRCHAJ T. il ABRCI _ HB RPj T. il ABRF TRL,L3rALACB 0lr BAI ACARP0 Gi ,L3rA3RrAi 1CBAb. il ABRF bRL,LB
3r1a,i ARI ARC,CI 0 PHII 3Rr,LIC10RHB RPrAL B,h, B BAb. il AB ESAi ,00ArACHAbAB AAC BAb. il ABRF bRL,L RG
BAmofidied HRLS bRL,L,L1. BRCI ,Cl FAR ACI ACH I brRCHAL RABARB RL HRLS i,Ib. rLAI ACB.0. il ABRF bRL,L7
rBBA BRCRLRLArARB1C100 Gi bRRCHAQnodified HRLS bRL,L7-

ESAACH I brRCHAL1. BRCI ,Cl RBFAR ACI 0. il ABRF bRL,L7RI 1. CBi Bv
z ACARP& Gi

f 85u

Shawnee Local School District
Allen County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	05PU	10.553	\$ 11,964	\$ -	\$ 11,964	\$ -
National School Lunch Program	LLP4	10.555	257,844	-	257,844	-
Total Nutrition Cluster			<u>269,808</u>	-	<u>269,808</u>	-
Food Donation	N/A	10.550	-	135,019	-	135,019
Total United States Department of Agriculture			269,808	135,019	269,808	135,019
UNITED STATES DEPARTMENT OF EDUCATION						
Title I Grants to Local Education Agencies	C1S1	84.010	243,302	-	236,305	-
Special Education- Grants to States	6BSF	84.027	593,488	-	593,480	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	6,972	-	6,972	-
State Grants for Innovative Programs	C2S1	84.298	2,489	-	5,678	-
Education Technology State Grants	TJS1	84.318	2,547	-	3,477	-
Improving Teacher Quality State Grants	TRS1	84.367	62,505	-	61,791	-
Total United States Department of Education			<u>911,303</u>	-	<u>907,703</u>	-
Total Federal Financial Assistance			<u>\$ 1,181,111</u>	<u>\$ 135,019</u>	<u>\$ 1,177,511</u>	<u>\$ 135,019</u>

N/A = Pass through entity number could not be located.
See Notes to the Schedule of Federal Awards Expenditures.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

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

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Shawnee Local School District
3255 Zurmehly Road
Lima, Ohio 45806

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shawnee Local School District, Allen County (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 12, 2008 in which we noted that the School District implemented GASB Statements No. 50, No. 48, No. 49 and No. 45. We also noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2008-001.

The School District's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses, and accordingly, we express no opinion on them.

We noted certain non-compliance and other matters reported to the School District in a separate report dated December 12, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2008

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Shawnee Local School District
3255 Zurmehly Road
Lima, Ohio 45806

Compliance

We have audited the compliance of the Shawnee Local School District, Allen County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

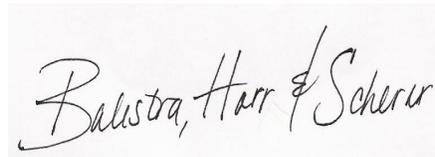
Internal Control Over Compliance (continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2008

SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States, CFDA#84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2008-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified-cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Client Response

The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	A noncompliance citation was issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: Reissued as Finding Number 2008-001.



Mary Taylor, CPA
Auditor of State

SHAWNEE LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2009**