

Shawnee Local School District
Allen County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009



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, 2008 through June 30, 2009. 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 17, 2010

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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, 2009, 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 modified-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 modified-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, 2009, and the respective changes in modified-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 October 2, 2009, 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 and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

October 2, 2009

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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, 2009. 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 2009 are as follows:

- ❑ General Receipts accounted for \$23,831,374 or 85% of all receipts. Program specific receipts in the form of charges for services and sales, operating and capital grants, contributions and interest accounted for \$4,314,218 or 15% of total receipts of \$28,145,592.
- ❑ The School District had \$25,442,699 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 \$24,341,456 in receipts and other financing sources and \$19,468,964 in disbursements and other financing uses. The fund balance of the general fund increased from \$12,232,444 in fiscal year 2008 to \$17,104,936 in fiscal year 2009. The Permanent Improvement Fund had \$1,266,746 in receipts and \$3,335,924 in disbursements and other financing uses. The fund balance of the Permanent Improvement Fund decreased from \$2,823,057 in fiscal year 2008 to \$753,879 in fiscal year 2009.
- ❑ Net assets of Governmental Activities of the School District at June 30, 2009 totaled \$18,381,562.

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, 2009

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 2009?" 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 statements 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, 2009

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 Statement of Changes in Fiduciary Net Assets on pages 17 and 18. 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 GASB 34 format. Table 1 provides a summary of the School District's net assets for 2009 and 2008, comparatively.

(Table 1)
Net Assets

	Governmental Activities	
	2009	2008
ASSETS		
Equity in Pooled Cash Investments	\$18,381,562	\$15,678,669
Total Assets	\$ 18,381,562	\$15,678,669
NET ASSETS		
Restricted for:		
Capital Outlay	\$ 753,879	\$ 2,823,057
Other Purposes	522,747	554,043
Budget Stabilization	490,091	490,091
Set Asides	57,952	60,987
Unrestricted	16,556,893	11,750,491
Total Net Assets	\$18,381,562	\$15,678,669

Net assets of the governmental activities increased \$2,702,893, which represents an 17% increase over the fiscal year 2008 balance.

A portion of the School District's assets, \$1,824,669, 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 \$16,556,893 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, 2009

Table 2 shows the changes in net assets for fiscal years 2009 and 2008, 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>2009</u>	<u>2008</u>
<i>Program Receipts</i>		
Charges for Services and Sales	\$ 2,323,456	\$ 2,289,950
Operating Grants, Contributions and Interest	1,601,055	1,883,902
Capital Grants and Contributions	389,707	349,162
<i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	14,206,426	12,375,248
Capital Projects	907,590	527,656
Grants and Entitlements	8,042,880	7,191,849
Proceeds from Sale of Capital Assets	6,616	2,400,000
Other	667,862	650,830
<i>Total Receipts</i>	<u>28,145,592</u>	<u>27,668,597</u>
<i>Program Disbursements</i>		
Instruction	12,287,578	11,697,757
Support Services	8,559,969	7,985,474
Food Services	926,084	1,062,515
Operation of Non-instructional Services	240,692	368,104
Extracurricular Activities	911,687	841,702
Capital Outlay	2,140,914	109,195
Repayment of Debt	375,775	70,539
<i>Total Disbursements</i>	<u>25,442,699</u>	<u>22,135,286</u>
Increase in Net Assets	<u>\$ 2,702,893</u>	<u>\$ 5,533,311</u>

Governmental Activities

Several receipt sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$15.1 million or 63% of general receipts in 2009. Grants and entitlements, also a large contributor, generated \$8.0 million, or 34% of general receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 17% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$12,287,578 or 48% of disbursements with program receipts funding 17% of those costs. Thus, general revenues were used to support the remainder of the instruction costs.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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	
	2009	2008	2009	2008
Instruction	\$ 12,287,578	\$ 11,697,757	\$10,150,937	\$ 9,512,269
Support Services:				
Pupil and Instructional Staff	1,734,245	1,900,358	1,729,609	1,798,216
Board of Education, Administration, Fiscal and Central	2,451,709	2,171,969	2,420,318	2,144,367
Operation and Maintenance of Plant	2,921,776	2,637,913	2,550,620	2,290,545
Pupil Transportation	1,452,239	1,275,234	1,413,192	1,233,672
Food Services	926,084	1,062,515	(34,423)	(130,739)
Operation of Non-Instructional Services	240,692	368,104	(121,635)	127,439
Extracurricular Activities	911,687	841,702	503,174	467,369
Capital Outlay	2,140,914	109,195	2,140,914	98,593
Repayment of Debt	375,775	70,539	375,775	70,539
Total	\$ 25,442,699	\$ 22,135,286	\$21,128,481	\$17,612,270

Instruction and student support services comprise 56% 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. 16% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay and debt service.

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. The School District has two major governmental funds: the General Fund and the Permanent Improvement Fund. Receipts of the General Fund comprise \$24,307,947 (87%) of the total \$28,094,376 governmental funds' receipts and \$19,360,873 (76%) of the total \$25,359,062 governmental funds' disbursements. Receipts of the Permanent Improvement Fund generated \$1,266,746 (5%) in receipts and utilized \$3,038,240 (12%) of the total governmental disbursements.

General Fund – The General Fund cash balance at June 30, 2009 was \$17,104,936, which represents 93% of total governmental funds' cash balances for fiscal year 2009. General fund receipts were more than disbursements by \$4,872,492 as a result of increased receipts from taxes, intergovernmental and interest.

Permanent Improvement Fund – The Permanent Improvement Fund cash balance at June 30, 2009 was \$753,879, which represents 4% of total governmental funds' cash balances for fiscal year 2009. The Permanent Improvement Fund receipts were less than disbursements by \$2,069,178 due to a significant increase in capital outlay disbursements.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 2009, the School District amended its general fund budget to reflect changing circumstances. The School District uses budgeting systems to tightly control total budgets but provide flexibility for management.

For the general fund, budget basis actual receipts were \$24,307,947; \$52,018 over the final budget estimates of \$24,255,929. Of this increase, most was attributable to an increase in intergovernmental receipts. Budget basis actual disbursements were \$19,497,206; \$664,760 under the final budget estimates of \$20,161,966. 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 2009, this amounted to \$422,192 for each set aside. Further information on statutory reserves can be found in Note 9 in the notes to the basic financial statements.

Debt

At June 30, 2009, the School District's outstanding debt included a HB 264 Energy Conservation Loan totaling \$718,013 for the purpose of providing energy conservation measures and a Tax Anticipation Note totaling \$2,160,000. During fiscal year 2009, the School District paid principal of \$44,281 on the HB 264 Loan and \$240,000 on the Tax Anticipation Note.

Further information on the debt instruments can be found in Note 5 in the notes to the basic financial statements.

Current Issues

The School District's financial condition is currently stable due to three main factors; operating funds from an Emergency Levy first passed in March 2004, higher than expected revenue from personal property taxes in the last two fiscal years 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.

The higher than expected revenue from personal property taxes were mainly attributable to high prices for crude oil during 2007 and 2008, which lead to higher valuations at many of the refinery complex's businesses. Revisions to tax laws have eliminated this funding source, with fiscal year 2009 being the last year of collection for personal property taxes. With these revisions, 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.

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.

Shawnee Local School District
Allen County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The recently passed two year state budget contains many provisions for future years that would likely lead to increased costs for the district. It is unknown how these mandates will be funded with the state of the current economy. This budget was only able to be funded due to an infusion of federal stimulus funds. The new budget calls for a small decrease in funding for Shawnee School District over the next two years.

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. 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. Of particular concern to the board is the increasing cost of health insurance.

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 525th 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 14% 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 voted to replace instead of renew its current permanent improvements levy, which expired 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, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 18,381,562</u>
<i>Total Assets</i>	<u><u>\$ 18,381,562</u></u>
Net Assets	
Restricted for:	
Capital Outlay	\$ 753,879
Other Purposes	522,747
Budget Stabilization	490,091
Set Asides	57,952
Unrestricted	<u>16,556,893</u>
<i>Total Net Assets</i>	<u><u>\$ 18,381,562</u></u>

See accompanying notes to the basic financial statement

Shawnee Local School District
Allen County
Statement of Activities - Modified - Cash Basis
For the Fiscal Year Ended June 30, 2009

	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	\$ 8,938,328	\$ 1,054,960	\$ 69,110	\$ 0	\$ (7,814,258)
Special	2,300,750	77,901	930,184	0	(1,292,665)
Student Intervention Services	138,635	0	0	0	(138,635)
Other	909,865	0	4,486	0	(905,379)
Support Services					
Pupil	796,456	0	0	0	(796,456)
Instructional Staff	937,789	0	4,636	0	(933,153)
Board of Education	59,861	14,266	0	0	(45,595)
Administration	1,670,263	0	0	0	(1,670,263)
Fiscal	680,100	9,603	0	0	(670,497)
Operation and Maintenance of Plant	2,921,776	0	12,000	359,156	(2,550,620)
Pupil Transportation	1,452,239	0	11,793	27,254	(1,413,192)
Central	41,485	0	7,522	0	(33,963)
Food Services	926,084	676,645	280,565	3,297	34,423
Operation of Non-Instructional Services	240,692	121,667	240,660	0	121,635
Extracurricular Activities	911,687	368,414	40,099	0	(503,174)
Capital Outlay	2,140,914	0	0	0	(2,140,914)
Debt Service					
Principal	284,281	0	0	0	(284,281)
Interest	91,494	0	0	0	(91,494)
Total Governmental Activities	\$ 25,442,699	\$ 2,323,456	\$ 1,601,055	\$ 389,707	(21,128,481)

General Receipts

Property Taxes Levied for:

General Purposes	14,206,426
Capital Projects	907,590
Grants and Entitlements not Restricted to Specific Programs	8,042,880
Proceeds from Sale of Capital Assets	6,616
Interest	619,080
Miscellaneous	48,782

Total General Receipts 23,831,374

Change in Net Assets 2,702,893

Net Assets - Beginning of Year 15,678,669

Net Assets - End of Year \$ 18,381,562

See accompanying notes to the basic financial statement

Shawnee Local School District
Allen County
Statement of Assets and Fund Balances - Modified - Cash Basis
Governmental Funds
June 30, 2009

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 16,556,893	\$ 753,879	\$ 522,747	\$ 17,833,519
Restricted:				
Equity in Pooled Cash and Investments	548,043	0	0	548,043
<i>Total Assets</i>	<u>\$ 17,104,936</u>	<u>\$ 753,879</u>	<u>\$ 522,747</u>	<u>\$ 18,381,562</u>
Fund Balances				
Reserved for Encumbrances	\$ 136,333	\$ 219,193	\$ 120,022	\$ 475,548
Reserved for Budget Stabilization	490,091	0	0	490,091
Reserved for Textbooks and Instructional Materials	57,952	0	0	57,952
Unreserved:				
Undesignated, Reported in:				
General Fund	16,420,560	0	0	16,420,560
Special Revenue Funds	0	0	402,725	402,725
Capital Projects Funds	0	534,686	0	534,686
<i>Total Fund Balances</i>	<u>\$ 17,104,936</u>	<u>\$ 753,879</u>	<u>\$ 522,747</u>	<u>\$ 18,381,562</u>

See accompanying notes to the basic financial statement

Shawnee Local School District
Allen County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 14,206,426	\$ 907,590	\$ 0	\$ 15,114,016
Intergovernmental	8,321,056	318,081	1,305,914	9,945,051
Interest	619,080	31,075	5,703	655,858
Tuition and Fees	1,132,861	0	121,667	1,254,528
Rent	14,266	0	0	14,266
Extracurricular Activities	0	0	368,416	368,416
Gifts and Donations	180	10,000	40,384	50,564
Customer Sales and Services	9,603	0	676,645	686,248
Miscellaneous	4,475	0	954	5,429
<i>Total Receipts</i>	<u>24,307,947</u>	<u>1,266,746</u>	<u>2,519,683</u>	<u>28,094,376</u>
Disbursements				
Current:				
Instruction				
Regular	8,658,364	107,613	172,351	8,938,328
Special	1,731,370	0	569,380	2,300,750
Student Intervention Services	138,635	0	0	138,635
Other	909,865	0	0	909,865
Support Services				
Pupil	761,741	0	34,715	796,456
Instructional Staff	620,341	182,667	51,144	854,152
Board of Education	59,861	0	0	59,861
Administration	1,545,698	5,907	118,658	1,670,263
Fiscal	653,567	26,533	0	680,100
Operation and Maintenance of Plant	2,710,240	199,144	12,392	2,921,776
Pupil Transportation	1,076,777	375,462	0	1,452,239
Central	33,963	0	7,522	41,485
Food Services Operation	0	0	926,084	926,084
Operation of Non-Instructional Services	0	0	240,692	240,692
Extracurricular Activities	460,451	0	451,236	911,687
Capital Outlay	0	2,140,914	0	2,140,914
Debt Service				
Principal	0	0	284,281	284,281
Interest	0	0	91,494	91,494
<i>Total Disbursements</i>	<u>19,360,873</u>	<u>3,038,240</u>	<u>2,959,949</u>	<u>25,359,062</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,947,074</u>	<u>(1,771,494)</u>	<u>(440,266)</u>	<u>2,735,314</u>
Other Financing Sources (Uses)				
Transfers In	0	0	405,775	405,775
Proceeds from the Sale of Capital Assets	3,421	0	3,195	6,616
Refund of Prior Year Disbursements	30,088	0	0	30,088
Transfers Out	(108,091)	(297,684)	0	(405,775)
<i>Total Other Financing Sources (Uses)</i>	<u>(74,582)</u>	<u>(297,684)</u>	<u>408,970</u>	<u>36,704</u>
<i>Net Change in Fund Balances</i>	4,872,492	(2,069,178)	(31,296)	2,772,018
<i>Fund Balances - Beginning of Year</i>	<u>12,232,444</u>	<u>2,823,057</u>	<u>554,043</u>	<u>15,609,544</u>
<i>Fund Balances - End of Year</i>	<u>\$ 17,104,936</u>	<u>\$ 753,879</u>	<u>\$ 522,747</u>	<u>\$ 18,381,562</u>

See accompanying notes to the basic financial statement

Shawnee Local School District

Allen County

*Reconciliation of the Statement of Cash 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, 2009*

Net Change in Fund Balances - Total Governmental Funds \$ 2,772,018

*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). (69,125)

Change in Net Assets of Governmental Activities \$ 2,702,893

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, 2009

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Taxes	\$ 11,999,261	\$ 14,207,870	\$ 14,206,426	\$ (1,444)
Intergovernmental	7,867,488	8,298,858	8,321,056	22,198
Interest	646,535	580,535	619,080	38,545
Tuition and Fees	1,153,166	1,143,916	1,132,861	(11,055)
Rent	27,000	12,000	14,266	2,266
Gifts and Donations	0	250	180	(70)
Customer Sales and Services	10,000	10,000	9,603	(397)
Miscellaneous	51,500	2,500	4,475	1,975
<i>Total Receipts</i>	<u>21,754,950</u>	<u>24,255,929</u>	<u>24,307,947</u>	<u>52,018</u>
Disbursements				
Current:				
Instruction				
Regular	8,878,317	8,894,212	8,722,442	171,770
Special	1,739,046	1,928,823	1,735,897	192,926
Student Intervention Services	155,747	157,052	138,635	18,417
Other	1,045,000	915,000	913,351	1,649
Support Services				
Pupil	766,365	760,019	764,611	(4,592)
Instructional Staff	635,276	647,903	628,848	19,055
Board of Education	66,657	79,957	63,754	16,203
Administration	1,512,965	1,545,950	1,555,713	(9,763)
Fiscal	542,794	669,505	654,362	15,143
Operation and Maintenance of Plant	2,760,976	2,764,141	2,733,194	30,947
Pupil Transportation	1,204,170	1,199,254	1,091,985	107,269
Central	47,931	47,961	33,963	13,998
Extracurricular Activities	553,521	552,189	460,451	91,738
<i>Total Disbursements</i>	<u>19,908,765</u>	<u>20,161,966</u>	<u>19,497,206</u>	<u>664,760</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,846,185</u>	<u>4,093,963</u>	<u>4,810,741</u>	<u>716,778</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	5,000	2,500	3,421	921
Refund of Prior Year Disbursements	10,000	30,000	30,088	88
Transfers Out	(108,091)	(108,091)	(108,091)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(93,091)</u>	<u>(75,591)</u>	<u>(74,582)</u>	<u>1,009</u>
Net Change in Fund Balances	1,753,094	4,018,372	4,736,159	717,787
Fund Balance - Beginning of Year	12,183,206	12,183,206	12,183,206	0
Prior Year Encumbrances Appropriated	49,238	49,238	49,238	0
Fund Balance - End of Year	<u>\$ 13,985,538</u>	<u>\$ 16,250,816</u>	<u>\$ 16,968,603</u>	<u>\$ 717,787</u>

See accompanying notes to the basic financial statement

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, 2009

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Operating Disbursements	
Claims	\$ 83,637
<i>Total Operating Disbursements</i>	<u>83,637</u>
<i>Operating Loss</i>	<u>(83,637)</u>
Non-Operating Receipts	
Interest	162
Refund of Prior Year Disbursements	<u>14,350</u>
<i>Total Non-Operating Receipts</i>	<u>14,512</u>
<i>Change in Net Assets</i>	(69,125)
<i>Net Assets - Beginning of Year</i>	<u>69,125</u>
<i>Net Assets - End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statement

Shawnee Local School District
Allen County
Statement of Fiduciary Net Assets - Modified - Cash Basis
Fiduciary Fund
June 30, 2009

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 682,637	\$ 29,115
Investments	705,000	0
<i>Total Assets</i>	\$ 1,387,637	\$ 29,115
Net Assets		
Endowments	\$ 1,317,861	\$ 0
Held in Trust for:		
Scholarships	63,303	0
Other Purposes	5,267	0
Staff	1,206	0
Student Activities	0	29,115
<i>Total Net Assets</i>	\$ 1,387,637	\$ 29,115

See accompanying notes to the basic financial statement

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, 2009

	Private Purpose Trust
Additions	
Interest	\$ 60,756
Gifts and Contributions	1,200
<i>Total Additions</i>	61,956
Deductions	
Payments in Accordance with Trust Agreements	61,939
<i>Total Deductions</i>	61,939
<i>Change in Net Assets</i>	17
<i>Net Assets - Beginning of Year</i>	1,387,620
<i>Net Assets - End of Year</i>	\$ 1,387,637

See accompanying notes to the basic financial statement

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

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 112 non-certified support personnel to provide services to 2,674 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 ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Shawnee Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following activities are included within the reporting entity:

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

The School District is associated with two jointly governed organizations and an insurance pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center and the Allen County Schools Health Benefit Plan. Information about these organizations is presented in Notes 10 and 11 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

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, 2009*

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. As discussed further in Note 6(3), the School District now participates in the Allen County Schools Health Insurance Consortium. The activity in the internal service fund was for unsettled claim activity, reducing the fund to a zero balance. The School District closed the fund during fiscal year 2009.

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, 2009*

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 and function level of disbursements for the General Fund and fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General Fund must be approved by the Board of Education.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

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 Investments

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

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 part of equity in pooled cash and investments. Investments with an initial maturity of more than three months and which are not purchased from pooled cash and investments are reported as investments.

Investments are reported as assets and reported at cost. 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 2009 were \$619,080, which includes \$42,996 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, 2009*

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. Transfers within governmental activities are eliminated on the statement of activities.
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 7 and 8, 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, 2009*

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. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,824,669 in restricted net assets, none was restricted by enabling legislation.

2. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

FUND FINANCIAL STATEMENTS

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

The School District records reservations for portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance 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 services and sales, operating and capital grants, contributions, and interest restricted for specific programs.

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, 2009*

NOTE 3 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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 the payment of 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances for a period not to exceed one hundred and eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.8 of the Revised Code;

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standards rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Deposits

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

At fiscal year end, the carrying amount of the School District's deposits was \$7,840,394 and the bank balance was \$8,010,017 which was either covered by federal depository insurance or 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, 2009, 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, 2009, the School District had the following investments:

	Cost as of 06/30/09	% of Total Investment	Maturities	
			0-1 Year	1-5 Years
Federal Home Loan Mortgage Corporation	\$ 6,003,259	50.23%	\$ 0	\$ 6,003,259
Federal Home Loan Bank	5,947,861	49.77	0	5,947,861
Total Investments	\$11,951,120	100.00%	\$ 0	\$11,951,120

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District 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 and Federal Home Loan Bank which both have a credit rating of AAA from Standard and Poor's.

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 Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments are 50.23%, and 49.77%, respectively, of the School District's total investments for the amounts listed above.

NOTE 4 - 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.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 4 - PROPERTY TAXES (continued)

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 2008, tangible personal property is assessed at 6.25% for property. For 2009, this percentage was reduced to zero.

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	<u>2008 Second-Half Collections</u>		<u>2009 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 318,978,390	77.76%	\$ 325,090,950	80.75%
Industrial/Commercial	54,464,500	13.28%	56,450,440	14.02%
Public Utility	20,307,480	4.95%	21,085,020	5.23%
Tangible Personal Property	16,482,399	4.01%	0	0%
Total Assessed Value	<u>\$ 410,232,769</u>	<u>100.00%</u>	<u>\$ 402,626,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.08		\$ 35.26	

NOTE 5 - DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2009 consisted of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/09</u>	<u>Due Within One Year</u>
HB264 Energy Conservation Loan	4.5%	\$ 762,294	\$ 0	\$ 44,281	\$ 718,013	\$ 46,296
Tax Anticipation Note	3.42%	2,400,000	0	240,000	2,160,000	480,000
		<u>\$ 3,162,294</u>	<u>\$ 0</u>	<u>\$ 284,281</u>	<u>\$2,878,013</u>	<u>\$ 526,296</u>

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 5 - DEBT OBLIGATIONS (continued)

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
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	55,315	240,000	26,880	322,195
2015-2019	316,708	0	73,749	390,457
2020-2021	147,778	0	8,405	156,183
Total	<u>\$ 718,013</u>	<u>\$2,160,000</u>	<u>\$ 403,764</u>	<u>\$3,281,777</u>

NOTE 6 - 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 2009, the School District contracted with Ohio Casualty for property, liability and fleet insurance.

Professional liability and vehicles are also protected by Ohio Casualty. 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 2009, 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 Benefit Plan (the "Plan"), a public entity shared risk pool consisting of school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Vision insurance is through Guardian.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 7 - 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, disability and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

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. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2009, 2008, and 2007 were \$308,547, \$301,127, and \$316,843, respectively which equaled the required contributions each year.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement system.

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

DC Plan Benefits – Benefits are established under Sections 2207.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

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

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

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion allocated to fund pension obligations.

The School District's contributions which were allocated for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,221,647, \$1,186,460 and \$1,143,904, respectively; which equaled the required contributions each year.

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 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, 3 of the Board of Education members have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 8 - POST EMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling (888)-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. 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, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$93,972, \$91,266 and \$87,993 for fiscal years 2009, 2008, and 2007, respectively.

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 8 - POST EMPLOYMENT BENEFITS (continued)

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B 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 2009 was \$96.40; 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 years 2009, 2008, and 2007, the actuarially required allocations were 0.75 percent, 0.66 percent, and 0.68 percent. For the School District, contributions for the fiscal years ended June 30, 2009, 2008 and 2007 were \$22,231, \$21,697, \$21,545, respectively, which equaled the required contributions for each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, 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 2009, the minimum compensation level was established at \$35,800.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the contributions assigned to health care for the 2009, 2008, and 2007 fiscal years equaled \$189,268, \$183,144 and \$147,548, respectively.

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 8 - POST EMPLOYMENT BENEFITS (continued)

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

NOTE 9 - 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 2009, 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 2009.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Carryover Balance, June 30, 2008	\$ 60,987	\$ 0	\$ 490,091
Current Year Set Aside Requirement	422,192	422,192	0
Qualify Expenditures	(425,227)	(322,368)	0
Current Year Offsets			
Not Available for Carryover	0	(164,492)	0
Available for Carryover	0	(2,400,000)	0
Balance June 30, 2009	<u>\$ 57,952</u>	<u>(2,464,668)</u>	<u>\$ 490,091</u>
Amount available as an offset to FY10		<u>\$ 2,400,000</u>	

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

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

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

**Shawnee Local School District
Allen County**

*Notes To The Basic Financial Statements
June 30, 2009*

NOTE 11 – INSURANCE PURCHASING POOLS

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

NOTE 12 – CONTRACTUAL COMMITMENTS

At June 30, 2009, the list of outstanding contractual commitments is:

<u>Contractor/Vendor</u>	<u>Contracted Amount</u>	<u>Amount Payable</u>	<u>Description</u>
Tyler Technologies	\$431,522	\$ 6,563	Bus Routing Software
Heritage Floors	\$63,976	\$25,590	Replace High School Gym Floor
Total Tennis Inc.	\$17,612	\$17,612	Resurface tennis courts
David Williams & Associates	\$24,525	\$24,525	Replace playground equipment
Fritchie Asphalt & Paving	\$63,485	\$63,485	Resurface Elmwood parking/playground
ACI Construction Company	\$1,590,930	\$28,126	Elmwood – General Construction
Trisco Systems	\$49,660	\$49,660	Masonry Repair

NOTE 13 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

NOTE 14 - TRANSFERS

During fiscal year 2009, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental:		
General Fund	\$ 0	\$ 108,091
Permanent Improvement Fund	0	297,684
All Other Governmental Funds	405,775	0
	<u>405,775</u>	<u>0</u>
Total Governmental	<u>\$ 405,775</u>	<u>\$ 405,775</u>

Transfers were made by the General Fund to move unrestricted balances to the Debt Service Fund to meet debt service requirements and to the Uniform School Supplies fund to cover obligations of that fund, during fiscal year 2009. Transfers were made from the Permanent Improvement Fund to the Debt Service Fund to meet debt service requirements.

Shawnee Local School District
Allen County

Notes To The Basic Financial Statements
June 30, 2009

NOTE 15 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund

\$136,333

Shawnee Local School District
Allen County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

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	\$ 14,002	\$ -	\$ 14,002	\$ -
National School Lunch Program	LLP4	10.555	260,116	152,700	260,116	152,700
Total Nutrition Cluster			274,118	152,700	274,118	152,700
Total United States Department of Agriculture			274,118	152,700	274,118	152,700
UNITED STATES DEPARTMENT OF EDUCATION						
Title I Grants to Local Education Agencies	C1S1	84.010	230,374	-	246,289	-
Special Education- Grants to States	6BSF	84.027	450,317	-	484,766	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	5,850	-	5,600	-
State Grants for Innovative Programs	C2S1	84.298	7,892	-	3,304	-
Education Technology State Grants	TJS1	84.318	1,504	-	1,467	-
Improving Teacher Quality State Grants	TRS1	84.367	60,268	-	65,334	-
Total United States Department of Education			756,205	-	806,760	-
Total Federal Financial Assistance			\$ 1,030,323	\$ 152,700	\$ 1,080,878	\$ 152,700

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

**SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD 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.



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, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 2, 2009 in which we noted that the School District follows the modified 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' *Government 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 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 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 its applicable accounting basis, 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 resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial 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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2009-001.

We did note certain non-compliance or other matters that we reported to the School District in a separate report dated October 2, 2009.

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

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

October 2, 2009



**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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our 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.

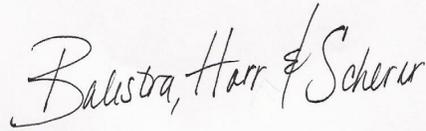
Internal Control Over Compliance (Continued)

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement 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 the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

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 material noncompliance with a federal program's compliance requirements.

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.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

October 2, 2009

SHAWNEE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS
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):	Nutrition Cluster, CFDA#10.553 and 10.555.
(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, 2009

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2009-001

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, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	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 2009-001.



Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 13, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

October 2, 2009



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 2, 2010