



Dave Yost • Auditor of State



**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Shawnee Local School District, Allen County, Ohio (the School District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Shawnee Local School District, Allen County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund and thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental Information*

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

*Other Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016

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**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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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, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position decreased \$3,726,234, which was a 19 percent decrease from 2014.
- Outstanding debt decreased from \$3,523,775 to \$2,970,490 due to principal payments of \$553,285 during the current year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2015, the General Fund is the School District's most significant fund.

***Basis of Accounting***

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

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

***Reporting the School District's Fiduciary Responsibilities***

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to 2014.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 16,065,972	\$ 19,792,206
<i>Total Assets</i>	<i>\$ 16,065,972</i>	<i>\$ 19,792,206</i>
<b>Net Position</b>		
Restricted for:		
Capital Outlay	\$ 556,334	\$ 2,753,983
Debt Service	88	0
Other Purposes	542,667	745,992
Unrestricted	14,966,883	16,292,231
<i>Total Net Position</i>	<i>\$ 16,065,972</i>	<i>\$ 19,792,206</i>

Net position of the governmental activities decreased \$3,726,234, which represents a 19 percent decrease from fiscal year 2014.

A portion of the School District's net position, \$1,099,089 or 7 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$14,966,883 may be used to meet the School District's ongoing obligations.

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**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

**(Table 2)**  
**Changes in Net Position – Cash Basis**

	Governmental Activities	
	2015	2014
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 2,546,933	\$ 2,699,001
Operating Grants, Contributions and Interest	2,229,862	2,189,557
Capital Grants, Contributions and Interest	3,031	6,475
<b>Total Program Receipts</b>	<b>4,779,826</b>	<b>4,895,033</b>
<b>General Receipts</b>		
Property Taxes	12,013,722	11,740,482
Grants and Entitlements not Restricted to Specific Programs	8,422,165	7,962,158
Proceeds from Sale of Assets	576	334
Proceeds of Tax Anticipation Notes	0	2,000,000
Proceeds of Loans	0	1,589,586
Insurance Recoveries	1,888	0
Investment Earnings	72,829	60,001
Miscellaneous	252,439	189,382
<b>Total General Receipts</b>	<b>20,763,619</b>	<b>23,541,943</b>
<b>Total Receipts</b>	<b>25,543,445</b>	<b>28,436,976</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	10,201,272	9,513,316
Special	2,566,251	2,437,501
Vocational	11,998	0
Student Intervention Services	199,893	211,668
Other	1,737,425	1,598,388
Support Services:		
Pupils	1,326,188	1,347,481
Instructional Staff	840,424	979,065
Board of Education	105,099	87,525
Administration	1,783,056	1,837,705
Fiscal	516,088	523,521
Operation and Maintenance of Plant	3,248,131	4,169,835
Pupil Transportation	1,468,444	1,415,064
Central	71,581	68,040
Operation of Non-Instructional Services:		
Food Service Operations	909,927	939,623
Community Services	265,471	177,367
Extracurricular Activities	847,000	783,543
Capital Outlay	2,557,939	77,055
Debt Service:		
Principal Retirement	553,285	825,612
Interest and Fiscal Charges	60,207	63,058
Issuance Costs	0	2,000
<b>Total Program Disbursements</b>	<b>29,269,679</b>	<b>27,057,367</b>
<b>Change in Net Position</b>	<b>(3,726,234)</b>	<b>1,379,609</b>
<b>Net Position Beginning of Year</b>	<b>19,792,206</b>	<b>18,412,597</b>
<b>Net Position End of Year</b>	<b>\$ 16,065,972</b>	<b>\$ 19,792,206</b>

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
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(Unaudited)  
(Continued)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Total receipts decreased from 2014 by \$2,893,531 due primarily due to the issuance of new debt in fiscal year 2014. The increase in capital outlay can be attributed to the increase of work performed as part of the HB264 Energy Conservation projects during fiscal year 2015. The General Fund's fund balance decreased \$1,323,805 in fiscal year 2015. Despite the School District's cost-saving efforts, disbursements still exceeded cash received into the General Fund, causing a negative change in fund balance.

**Governmental Activities**

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

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2015	2014	2015	2014
<b>Program Disbursements</b>				
Instruction:				
Regular	\$ 10,201,272	\$ 9,513,316	\$ 8,467,496	\$ 7,694,213
Special	2,566,251	2,437,501	1,402,538	1,254,849
Vocational	11,998	0	4,136	(7,618)
Student Intervention Services	199,893	211,668	199,893	186,854
Other	1,737,425	1,598,388	1,733,457	1,598,388
Support Services:				
Pupils	1,326,188	1,347,481	1,303,472	1,313,557
Instructional Staff	840,424	979,065	700,664	863,657
Board of Education	105,099	87,525	101,057	87,525
Administration	1,783,056	1,837,705	1,679,388	1,708,334
Fiscal	516,088	523,521	516,088	523,521
Operation and Maintenance of Plant	3,248,131	4,169,835	3,237,900	4,156,160
Pupil Transportation	1,468,444	1,415,064	1,418,053	1,375,783
Central	71,581	68,040	71,581	67,913
Operation of Non-Instructional Services:				
Food Service Operations	909,927	939,623	(22,663)	(8,748)
Community Services	265,471	177,367	30,875	(47,764)
Extracurricular Activities	847,000	783,543	474,487	427,985
Capital Outlay	2,557,939	77,055	2,557,939	77,055
Debt Service:				
Principal Retirement	553,285	825,612	553,285	825,612
Interest and Fiscal Charges	60,207	63,058	60,207	63,058
Issuance Costs	0	2,000	0	2,000
<b>Total</b>	<b>\$ 29,269,679</b>	<b>\$ 27,057,367</b>	<b>\$ 24,489,853</b>	<b>\$ 22,162,334</b>

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*  
*(Continued)*

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The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16 percent of all governmental expenses. The community is the largest area of support for the School District students.

***The School District's Funds***

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

The School District's governmental funds reported a combined fund balance of \$16,065,972, which is lower than the prior year balance of \$19,792,206.

The General Fund had total cash receipts of \$21,956,835. The cash disbursements of the General Fund totaled \$22,988,004. The General Fund's fund balance decreased \$1,323,805 in fiscal year 2015. Despite the School District's cost-saving efforts, disbursements still exceeded cash received into the General Fund, causing a negative change in fund balance.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the School District amended its General Fund budget. For the General Fund, final budget basis receipts were \$21,652,160, which is over the original budgeted receipts by \$490,861. Actual receipts of \$21,578,610 were within a \$73,550 variance of the final budget.

For fiscal year 2015, the General Fund final budget basis disbursements were \$24,235,310, which is more than the original budgeted disbursements of \$22,528,050. Actual disbursements of \$22,948,920 were \$1,286,388 lower than the final budget due to an overall overestimation of disbursements.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2015 and 2014.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2015	2014
Series 2014 Tax Anticipation Note	\$ 1,555,556	\$ 2,000,000
2013 HB264 Energy Conservation Loan	975,000	1,050,000
2014 HB264 Energy Conservation Loan	439,934	473,775
<i>Total</i>	\$ 2,970,490	\$ 3,523,775

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
(Continued)

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***Current Issues***

The School District experienced deficit spending in its general fund of \$1,323,805 for fiscal year 2015. This represents an increase from the previous year's deficit in the amount of \$411,788.

Shawnee Local School District's General Fund receipts increased slightly from fiscal year 2014. This was primarily the result of an increase in the state foundation funding formula and Casino tax receipts. Overall property tax receipts were consistent with prior year levels. The historically low interest rate environment continues to depress returns on invested funds. Although interest rates have stabilized, the economic outlook appears as though rates will remain at low levels for Fiscal Year 2016.

Disbursements for the School District are consistent with industry standards. Staffing levels have remained constant, while retirements and cost controls implemented by the Allen County Health consortium maintain costs. As in all School Districts, and vast majority of private enterprises, headcount related costs account for the highest percentage of expenditures. The School District spent approximately 65-70 percent of its annual budget on salaries, wages and benefits in fiscal year 2015.

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

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

All of the School District's buildings are more than 40 years old and their maintenance is a major concern to the Board of Education. It is critical that facilities are secure, safe, structurally and operationally sound; therefore a permanent improvement levy has been approved by the School District voters since the early 1970's. This levy generates approximately \$1 million dollars annually for the School District to be used exclusively for buildings, grounds, textbooks and buses. As the Board understands that the construction of new facilities is unlikely in the near future, it is critical that funds are available to support our ongoing maintenance efforts. It is estimated that changes in the budget at the state level will reduce the receipt from this levy in future fiscal years.

The School District initiated an Energy Conservation project in fiscal year 2013 that was completed and paid for in fiscal year 2014. The cost of this project will be recaptured from ongoing savings to our energy disbursements compared to previously incurred levels. (Note the decrease in Operation and Maintenance of Plant disbursements from 2014 to 2015.)

**Shawnee Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
(Unaudited)  
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In fiscal year 2014, the Maplewood Elementary building received a major upgrade to alleviate current leakage and infrastructure issues. The project consists of new HVAC equipment (replacing the original 30 year old equipment), new roof, interior lighting, flooring and safety equipment. Project completion and payments were made in fiscal year 2015 (causing a significant increase in Capital Outlay disbursements). This project was financed by a tax anticipation note against the Permanent Improvement levy proceeds.

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

***Contacting the School District's Financial Management***

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



**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 16,065,972
<i>Total Assets</i>	\$ 16,065,972
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 556,334
Debt Service	88
Other Purposes	542,667
Unrestricted	14,966,883
<i>Total Net Position</i>	\$ 16,065,972

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2015*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 10,201,272	\$ 1,638,261	\$ 95,515	\$ 0	\$ (8,467,496)
Special	2,566,251	23,069	1,140,644	0	(1,402,538)
Vocational	11,998	0	7,862	0	(4,136)
Student Intervention Services	199,893	0	0	0	(199,893)
Other	1,737,425	0	3,968	0	(1,733,457)
Support Services:					
Pupils	1,326,188	0	22,716	0	(1,303,472)
Instructional Staff	840,424	0	139,760	0	(700,664)
Board of Education	105,099	0	4,042	0	(101,057)
Administration	1,783,056	0	103,668	0	(1,679,388)
Fiscal	516,088	0	0	0	(516,088)
Operation and Maintenance of Plant	3,248,131	0	7,200	3,031	(3,237,900)
Pupil Transportation	1,468,444	0	50,391	0	(1,418,053)
Central	71,581	0	0	0	(71,581)
Operation of Non-Instructional Services:					
Food Service Operations	909,927	536,496	396,094	0	22,663
Community Services	265,471	0	234,596	0	(30,875)
Extracurricular Activities	847,000	349,107	23,406	0	(474,487)
Capital Outlay	2,557,939	0	0	0	(2,557,939)
Debt Service:					
Principal Retirement	553,285	0	0	0	(553,285)
Interest and Fiscal Charges	60,207	0	0	0	(60,207)
<b>Totals</b>	<u>\$ 29,269,679</u>	<u>\$ 2,546,933</u>	<u>\$ 2,229,862</u>	<u>\$ 3,031</u>	<u>(24,489,853)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	11,124,760
Debt Service	235,547
Capital Outlay	653,415
Grants and Entitlements not Restricted to Specific Programs	8,422,165
Proceeds from Sale of Assets	576
Insurance Recoveries	1,888
Investment Earnings	72,829
Miscellaneous	252,439
<b>Total General Receipts</b>	<u>20,763,619</u>
<b>Change in Net Position</b>	(3,726,234)
<b>Net Position Beginning of Year</b>	<u>19,792,206</u>
<b>Net Position End of Year</b>	<u>\$ 16,065,972</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 14,973,693	\$ 1,092,279	\$ 16,065,972
<i>Total Assets</i>	<u>\$ 14,973,693</u>	<u>\$ 1,092,279</u>	<u>\$ 16,065,972</u>
<b>Fund Balances</b>			
Nonspendable	\$ 6,810	\$ 0	\$ 6,810
Restricted	0	1,247,062	1,247,062
Committed	300,000	0	300,000
Assigned	1,913,149	0	1,913,149
Unassigned	12,753,734	(154,783)	12,598,951
<i>Total Fund Balances</i>	<u>\$ 14,973,693</u>	<u>\$ 1,092,279</u>	<u>\$ 16,065,972</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$ 11,124,760	\$ 888,962	\$ 12,013,722
Intergovernmental	8,771,714	1,844,365	10,616,079
Investment Income	72,829	5,829	78,658
Tuition and Fees	1,675,344	0	1,675,344
Extracurricular Activities	40,802	283,015	323,817
Gifts and Donations	10,345	22,801	33,146
Charges for Services	9,322	534,379	543,701
Rent	4,075	0	4,075
Miscellaneous	247,644	4,795	252,439
<i>Total Receipts</i>	<u>21,956,835</u>	<u>3,584,146</u>	<u>25,540,981</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	10,001,127	200,145	10,201,272
Special	1,867,749	698,502	2,566,251
Vocational	11,998	0	11,998
Student Intervention Services	195,096	4,797	199,893
Other	1,737,425	0	1,737,425
Support Services:			
Pupils	1,298,723	27,465	1,326,188
Instructional Staff	609,574	230,850	840,424
Board of Education	105,099	0	105,099
Administration	1,652,717	130,339	1,783,056
Fiscal	497,188	18,900	516,088
Operation and Maintenance of Plant	2,609,064	639,067	3,248,131
Pupil Transportation	1,367,226	101,218	1,468,444
Central	71,581	0	71,581
Extracurricular Activities	538,985	308,015	847,000
Operation of Non-Instructional Services:			
Food Service Operations	0	909,927	909,927
Other	705	264,766	265,471
Capital Outlay	423,470	2,134,469	2,557,939
Debt Service:			
Principal Retirement	0	553,285	553,285
Interest and Fiscal Charges	0	60,207	60,207
<i>Total Disbursements</i>	<u>22,987,727</u>	<u>6,281,952</u>	<u>29,269,679</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,030,892)</u>	<u>(2,697,806)</u>	<u>(3,728,698)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	576	576
Insurance Recoveries	1,888	0	1,888
Advances In	29,055	9	29,064
Advances Out	(9)	(29,055)	(29,064)
Transfers In	0	701,871	701,871
Transfers Out	(323,847)	(378,024)	(701,871)
<i>Total Other Financing Sources (Uses)</i>	<u>(292,913)</u>	<u>295,377</u>	<u>2,464</u>
<i>Net Change in Fund Balances</i>	(1,323,805)	(2,402,429)	(3,726,234)
<i>Fund Balances Beginning of Year</i>	<u>16,297,498</u>	<u>3,494,708</u>	<u>19,792,206</u>
<i>Fund Balances End of Year</i>	<u>\$ 14,973,693</u>	<u>\$ 1,092,279</u>	<u>\$ 16,065,972</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 10,909,457	\$ 11,124,760	\$ 11,124,760	\$ 0
Intergovernmental	8,601,951	8,762,888	8,771,714	8,826
Investment Income	71,420	75,000	72,829	(2,171)
Tuition and Fees	1,543,910	1,651,130	1,574,380	(76,750)
Gifts and Donations	2,805	2,860	2,860	0
Charges for Services	9,142	9,322	9,322	0
Rent	3,996	6,000	4,075	(1,925)
Miscellaneous	18,617	20,200	18,984	(1,216)
<i>Total Receipts</i>	<u>21,161,298</u>	<u>21,652,160</u>	<u>21,578,924</u>	<u>(73,236)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,891,133	10,108,937	9,881,464	227,473
Special	1,876,680	2,110,676	1,867,749	242,927
Vocational	94	16,948	11,998	4,950
Student Intervention Services	197,494	201,069	195,096	5,973
Other	1,669,138	1,744,138	1,737,425	6,713
Support Services:				
Pupils	1,374,234	1,371,274	1,298,723	72,551
Instructional Staff	598,124	678,989	620,219	58,770
Board of Education	94,098	126,776	105,099	21,677
Administration	1,799,428	1,741,012	1,670,220	70,792
Fiscal	540,842	519,149	506,947	12,202
Operation and Maintenance of Plant	2,669,975	3,026,751	2,704,818	321,933
Pupil Transportation	1,279,188	1,590,413	1,374,063	216,350
Central	70,971	72,815	71,581	1,234
Extracurricular Activities	462,954	504,348	479,658	24,690
Operation of Non-Instructional Services:				
Food Service Operations	393	388	390	(2)
Capital Outlay	3,304	421,625	423,470	(1,845)
<i>Total Disbursements</i>	<u>22,528,050</u>	<u>24,235,308</u>	<u>22,948,920</u>	<u>1,286,388</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,366,752)</u>	<u>(2,583,148)</u>	<u>(1,369,996)</u>	<u>1,213,152</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Disbursements	0	221,000	220,372	(628)
Refund of Prior Year Receipts	0	(4,717)	(4,717)	0
Insurance Recoveries	0	1,888	1,888	0
Advances In	0	84,448	84,291	(157)
Advances Out	0	(130,000)	(125,009)	4,991
Transfers In	0	1,250,000	1,250,000	0
Transfers Out	0	(1,600,000)	(1,598,848)	1,152
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(177,381)</u>	<u>(172,023)</u>	<u>5,358</u>
<i>Net Change in Fund Balance</i>	<u>(1,366,752)</u>	<u>(2,760,529)</u>	<u>(1,542,019)</u>	<u>1,218,510</u>
<i>Fund Balance Beginning of Year</i>	15,791,967	15,791,967	15,791,967	0
Prior Year Encumbrances Appropriated	159,571	159,571	159,571	0
<i>Fund Balance End of Year</i>	<u>\$ 14,584,786</u>	<u>\$ 13,191,009</u>	<u>\$ 14,409,519</u>	<u>\$ 1,218,510</u>

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 1,268,350	\$ 31,362
<i>Total Assets</i>	\$ 1,268,350	\$ 31,362
 <b>Net Position</b>		
Endowments	\$ 1,176,147	\$ 0
Held in Trust for Scholarships	92,194	0
Held for Student Activities	0	31,362
Held for Staff Awards	9	0
<i>Total Net Position</i>	\$ 1,268,350	\$ 31,362

See accompanying notes to the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Statement of Change in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 1,142
Interest	4,464
	5,606
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	18,278
	18,278
<i>Change in Net Position</i>	(12,672)
<i>Net Position Beginning of Year</i>	1,281,022
<i>Net Position End of Year</i>	\$ 1,268,350

See accompanying notes to the basic financial statements.

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**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations’ resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the 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 13 and 14 of the basic financial statements.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Accounting**

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

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

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

**B. Basis of Presentation - Fund Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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

#### FUND FINANCIAL STATEMENTS

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

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

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

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

The funds of the financial reporting entity are described below:

#### Governmental Funds/Governmental Activities

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

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

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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Fiduciary Fund Types

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

**C. Budgetary Process**

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

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

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

**D. Cash and Cash Equivalents**

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and cash equivalents.” Investments with an original maturity of more than three months that are not made from the pool are reported as investments. During fiscal year 2015, investments were limited to certificates of deposit, STAR Ohio, a money market and U.S. Government and Agencies Securities.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2015.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 were \$72,829, which includes \$13,131 assigned from other School District funds.

**E. Capital Assets**

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

**F. Accumulated Leave**

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

**G. Long-Term Debt**

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**H. Intergovernmental Receipts**

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

**I. Inventory and Prepaid Items**

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

**J. Interfund Receivables/Payables**

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

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

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2015, the School District did not have any net position restricted by enabling legislation.
2. Unrestricted net position - All other net position that do not meet the definition of “restricted.”

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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FUND FINANCIAL STATEMENTS

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

- a. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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**M. Receipts and Disbursements**

Program Receipts

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

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

Disbursements

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

**N. Pensions**

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

**NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES**

For the fiscal year ended June 30, 2015, the School District has implemented (as it pertains to the cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 9 for further information.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.



**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 9 for further information.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 \$14,520,789. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$4,729,788 of the School District's bank balance of \$15,022,705 was exposed to custodial risk as discussed below, while \$10,292,917 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$4,792,917 held in a STAR Plus account. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2015, the School District had \$7,600 in undeposited cash on hand which is included in the fund balance.

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***Investments***

Investments are reported at cost. As of June 30, 2015, the School District had the following investments:

	Cost as of 06/30/2015	% of Total Investments	Maturities in Months	
			< 6	> 24
Money Market	\$ 86,231	3.04%	\$ 86,231	\$ 0
Federal Home Loan Mortgage Corporation	1,000,000	35.24%	0	1,000,000
Federal National Mortgage Association	500,000	17.62%	0	500,000
STAR Ohio	1,251,064	44.09%	1,251,064	0
<i>Total Investments</i>	<u>\$2,837,295</u>	<u>100.00%</u>	<u>\$1,337,295</u>	<u>\$1,500,000</u>

***Interest Rate Risk***

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

***Custodial Credit Risk***

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

***Credit Risk***

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

The School District's investments in US Government/Agency Bonds include securities in Federal National Mortgage Association and Federal Home Loan Bank that have credit ratings of AA+ and Aaa from Standard & Poor's and Moody's Investor Services, respectively. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a credit rating of AAAM by Standard and Poor's.

***Concentration Risk***

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage of the School District's total investment that each investment represents, are listed in the table on the previous page.

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**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Allen 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<b>2014 Second-Half Collections</b>		<b>2015 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$ 311,497,300	75.4%	\$ 310,782,640	75.9%
Industrial/Commercial	70,282,080	17.0%	67,338,600	16.4%
Public Utility	31,211,880	7.6%	31,377,010	7.7%
Total Assessed Value	<u>\$ 412,991,260</u>	<u>100.0%</u>	<u>\$ 409,498,250</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$34.98		\$35.03	

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**NOTE 6 – DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2015 consisted of the following:

	Interest Rate	Principal Outstanding 06/30/14	Additions	Reductions	Principal Outstanding 06/30/15	Due Within One Year
Series 2014 Tax Anticipation Note	1.50%	2,000,000	0	444,444	1,555,556	444,444
HB264 Energy Conservation Loan	2.27%	473,775	0	33,841	439,934	67,682
HB264 Energy Conservation Loan	2.75%	1,050,000	0	75,000	975,000	75,000
<i>Total</i>		<u>\$ 3,523,775</u>	<u>\$ 0</u>	<u>\$ 553,285</u>	<u>\$ 2,970,490</u>	<u>\$ 587,126</u>

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

In July, 2013, the School District received a \$1,115,811 unvoted general obligation loan from JPMorgan Chase Bank 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 June 15, 2028. Semi-annual payments of \$37,500, including interest of 2.75 percent, will be made throughout the term of the loan. The loan is being retired from the Debt Service Fund.

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

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

Principal and interest requirements for payment of debt obligations as of June 30, 2015 are as follows:

Fiscal Year Ending June 30,	HB264	Tax Anticipation	Interest	Total
2016	142,682	444,444	57,539	644,665
2017	142,682	444,445	47,279	634,406
2018	142,682	444,445	37,021	624,148
2019	142,682	222,222	26,762	391,666
2020	142,682	0	21,499	164,181
2021-2025	476,524	0	61,597	538,121
2026-2028	225,000	0	10,829	235,829
<i>Total</i>	<u>\$ 1,414,934</u>	<u>\$ 1,555,556</u>	<u>\$ 262,526</u>	<u>\$ 3,233,016</u>

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**NOTE 7 – OPERATING LEASES**

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

**NOTE 8 – RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, the School District contracted with Ohio School Plan for property, liability and fleet insurance.

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

**B. Workers' Compensation**

For fiscal year 2015, the School District's Worker's Compensation managed care organization is contracted with Sheakley Uniservice, Inc.

Beginning with fiscal year 2012, the School District participated in the Bureau's EM 100 Cap Program, which limited premium increases to no more than 100 percent of the prior year Experience Modifier. The Experience Modifier is effectively the rate per dollar of payroll paid by the employer to the Worker's Compensation Bureau for coverage.

In calendar year 2016, the District will participate in a Group Retrospective Rating program which is expected to yield a new premium refund of up to 48%.

**C. Health Care Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical 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.

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$607,582 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.



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With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,323,280 for fiscal year 2015.

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***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 22,609,530	\$ 1,523,850	\$ 24,133,380
Proportion of the Net Pension Liability	0.09295359%	0.03011000%	

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,174,081	\$ 1,523,850	\$ 976,949

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

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(Continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 32,368,007	\$ 22,609,530	\$ 14,357,142

**NOTE 10 – POST EMPLOYMENT BENEFITS**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$100,258, \$66,904 and \$63,273, respectively. For fiscal year 2015, 84 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

***B. State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$96,058, and \$101,058, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 11 – FUND BALANCE**

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

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

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Nonspendable for:</b>			
Unclaimed Monies	\$ 6,810	\$ 0	\$ 6,810
<b>Restricted for:</b>			
Permanent Improvements	0	556,422	556,422
Food Service Operations	0	478,994	478,994
Extracurricular	0	166,017	166,017
Educational Activities	0	45,629	45,629
Total Restricted	0	1,247,062	1,247,062
<b>Committed for:</b>			
Future Severance Payments	300,000	0	300,000
Total Committed	300,000	0	300,000
<b>Assigned for:</b>			
Instruction	5,542	0	5,542
Support Services	188,833	0	188,833
Extracurricular	1,334	0	1,334
Subsequent Year Appropriations	1,717,440	0	1,717,440
Total Assigned	1,913,149	0	1,913,149
<b>Unassigned</b>	12,753,734	(154,783)	12,598,951
<b>Total Fund Balance</b>	<b>\$ 14,973,693</b>	<b>\$ 1,092,279</b>	<b>\$ 16,065,972</b>

The IDEA fund had an unassigned deficit balance of \$97,248. The Title I School Improvement fund had an unassigned deficit fund balance of \$9,846. The Title I fund had an unassigned deficit fund balance of \$47,687. The general fund is liable for any deficit and will provide transfers when cash is required.

**NOTE 12 – STATUTORY RESERVES**

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

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2015.

	Capital Maintenance Reserve
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set Aside Requirement	441,102
Current Year Offsets	(908,593)
Total	\$ (467,491)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set Aside Restricted Balance June 30, 2015	\$ 0

**NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS**

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

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

**NOTE 14 – INSURANCE PURCHASING POOL**

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



**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**NOTE 15 – CONTINGENCIES AND COMMITMENTS**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**D. Other Commitments**

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

<u>Fund</u>	<u>Amount</u>
General	\$ 195,709
Nonmajor Governmental	88,543
	<u>\$ 284,252</u>

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
(Continued)

**NOTE 16 – INTERFUND ACTIVITY**

During fiscal year 2015, repayment of prior year advances were made to the General Fund from the IDEA-B fund, \$7,347, the Title II-A fund, \$277, and the Title I School improvement fund, \$21,431. The General fund made an advance to the Permanent Improvement fund in the amount of \$9 to cover disbursements.

During fiscal year 2015 transfers were made from the Debt Service fund to the Permanent Improvement fund for \$378,024 to meet debt service requirements. In addition, the General Fund made transfers to the Permanent Improvement fund, \$219,000, the H.B. 264 fund, \$103,878, and the Other Grants fund, \$969.

**NOTE 17 – BUDGETARY BASIS OF ACCOUNTING**

The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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

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

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Cash Basis	\$ (1,323,805)
Funds Budgeted Elsewhere**	(71,984)
Adjustment for Encumbrances	<u>(146,230)</u>
Budget Basis	<u><u>\$ (1,542,019)</u></u>

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

**Shawnee Local School District**  
**Allen County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*  
*(Continued)*

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**NOTE 18 – COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2015, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>United States Department of Agriculture</b>					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$7,503		\$7,503
National School Lunch Program	10.555		67,530		67,530
Cash Assistance:					
School Breakfast Program	10.553	\$35,687		\$35,687	
National School Lunch Program	10.555	351,293		351,293	
Total Nutrition Cluster		<u>386,980</u>	<u>75,033</u>	<u>386,980</u>	<u>75,033</u>
Total United States Department of Agriculture		<u>386,980</u>	<u>75,033</u>	<u>386,980</u>	<u>75,033</u>
<b>United States Department of Education</b>					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	433,835		506,592	
Special Education_Grants to States	84.027	454,880		549,970	
Improving Teacher Quality State Grants	84.367	52,865		52,865	
ARRA - Race to the Top Incentive Grants, Recovery Act	84.395			5,950	
Total United States Department of Education		<u>941,580</u>		<u>1,115,377</u>	
Total Federal Financial Assistance		<u>\$1,328,560</u>	<u>\$75,033</u>	<u>\$1,502,357</u>	<u>\$75,033</u>

*See accompanying 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  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Shawnee Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2014 to 2015 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
Title I	84.010	\$74,387
Title I School Improvement	84,010	\$39,480
Special Education	84.027	\$39,102



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shawnee Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 9, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Finding***

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.

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Shawnee Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Shawnee Local School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Shawnee Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2015

**SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Noncompliance Citation**

**Ohio Rev. 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 Rev. Code Section 117.38.

**Ohio Admin. Code § 117-2-03 (B)** requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**OFFICIALS' RESPONSE:** The Shawnee Board of Education has considered the issue of preparing GAAP Basis Financial Statements and has decided to forego their completion at this time. The Board will reconsider the issue for the 2016 fiscal year.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

SHAWNEE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (B)  
JUNE 30, 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2014-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to file GAAP financial statements	No	Repeated as Finding 2015-001