

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -All Governmental Fund Types and Expendable Trust Funds	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds	7
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types	11
Combined Statement of Cash Flows - All Proprietary Fund Types	12
Notes to the General Purpose Financial Statements	13
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	47
Schedule of Prior Audit Finding	49



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REPORT OF INDEPENDENT ACCOUNTANTS

Shadyside Local School District
Belmont County
3890 Lincoln Avenue
Shadyside, Ohio 43947

To Members of the Board:

We have audited the accompanying general purpose financial statements of the Shadyside Local School District, Belmont County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1999, 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 grants.



JIM PETRO
Auditor of State

December 1, 1999

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SHADYSIDE LOCAL SCHOOL DISTRICT
Combined Balance Sheet
All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$605,167	\$81,928	\$162,246
Cash and Cash Equivalents With Fiscal Agents	0	0	0
Investments With Fiscal Agents	0	0	5,860
Receivables:			
Property and Other Taxes Accounts	2,573,670	0	203,722
	5,730	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	4,471	0	0
Prepaid Items	42,091	1,961	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	163,832	0	0
Fixed Assets:			
Fixed Assets (Net, where Applicable of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	3,394,961	83,889	371,828
Liabilities:			
Accounts Payable	110,188	7,551	4,589
Accrued Wages	328,772	25,358	0
Compensated Absences Payable	42,285	0	0
Intergovernmental Payable	96,002	6,288	0
Deferred Revenue	2,521,960	0	203,722
Due to Students	0	0	0
Claims Payable	0	0	0
Capital Leases Payable	0	0	0
Early Retirement Incentive Payable	8,500	0	0
Long Term Pension Liability	0	0	0
Energy Conservation Loan Payable	0	0	0
Total Liabilities	3,107,697	39,197	208,311
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings, Unreserved (Deficit)	0	0	0
Fund Balances:			
Reserved for Encumbrances	139,699	17,631	7,061
Reserved for Inventory	4,471	0	0
Reserved for Property Taxes	51,720	0	0
Reserved for Budget Stabilization	53,533	0	0
Reserved for Textbook and Instructional Material	37,522	0	0
Reserved for Bus Purchase	72,777	0	0
Unreserved, Undesignated	(81,670)	27,081	156,458
Unreserved, Designated	9,212	0	0
Total Fund Equity (Deficits) and Other Credits	287,264	44,692	163,517
Total Liabilities, Fund Equity and Other Credits	\$3,394,961	\$83,889	\$371,828

See accompanying notes to the general purpose financial statements

Enterprise	Internal Service	Trust and Agency	General Fixed Asset Account Group	General Long-Term Obligations Account Group	Totals (Memorandum)
\$2,509	\$0	\$48,535	\$0	\$0	\$900,385
0	7,037	0	0	0	7,037
0	0	0	0	0	5,860
0	0	0	0	0	2,777,392
0	0	0	0	0	5,730
2,492	0	0	0	0	2,492
139	0	0	0	0	4,610
471	0	0	0	0	44,523
					163,832
10,108	0	0	4,938,351	0	4,948,459
0	0	0	0	923,471	923,471
15,719	7,037	48,535	4,938,351	923,471	9,783,791
1,328	0	0	0	0	123,656
5,909	0	0	0	0	360,039
9,212	0	0	0	581,569	633,096
3,953	0	0	0	0	106,243
2,978	0	0	0	0	2,728,650
0	0	40,108	0	0	40,108
0	22,222	0	0	0	22,222
0	0	0	0	172,718	172,718
0	0	0	0	7,500	16,000
0	0	0	0	27,654	27,654
0	0	0	0	134,000	134,000
23,380	22,222	40,108	0	923,471	4,364,386
0	0	0	4,938,351	0	4,938,351
75,098	0	0	0	0	75,098
(82,759)	(15,185)	0	0	0	(97,944)
0	0	0	0	0	164,391
0	0	0	0	0	4,471
0	0	0	0	0	51,720
0	0	0	0	0	53,533
0	0	0	0	0	37,522
0	0	0	0	0	72,777
0	0	8,427	0	0	110,274
0	0	0	0	0	9,212
(7,661)	(15,185)	8,427	4,938,351	0	5,419,405
\$15,719	\$7,037	\$48,535	\$4,938,351	\$923,471	\$9,783,791

SHADYSIDE LOCAL SCHOOL DISTRICT

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999**

	General	Special Revenue	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Revenues:					
Property and Other Taxes	\$2,446,738	\$0	\$0	\$0	\$2,446,738
Intergovernmental	1,792,232	239,141	0	0	2,031,373
Interest	45,375	0	8,139	183	53,697
Tuition and Fees	16,499	0	0	0	16,499
Rent	250	0	0	0	250
Extracurricular	0	70,407	0	0	70,407
Gifts and Donations	0	0	0	1,100	1,100
Miscellaneous	7,971	0	0	0	7,971
Total Revenues	4,309,065	309,548	8,139	1,283	4,628,035
Expenditures:					
Current:					
Instruction:					
Regular	2,181,551	3,539	0	950	2,186,040
Special	304,287	192,251	0	0	496,538
Adult/Continuing	935	90	0	0	1,025
Support Services:					
Pupils	153,134	9,889	0	0	163,023
Instructional Staff	111,466	38,683	0	0	150,149
Board of Education	18,831	0	0	0	18,831
Administration	452,711	9,176	0	0	461,887
Fiscal	170,849	0	0	0	170,849
Operation and Maintenance of Plant	521,884	0	0	0	521,884
Pupil Transportation	155,562	0	0	0	155,562
Non Instructional Services					
Extracurricular	40	0	0	0	40
Capital Outlay	90,157	65,879	0	0	156,036
Debt Service:	0	0	114,596	0	114,596
Principal	103,076	0	0	0	103,076
Interest and Fiscal Charges	16,209	0	0	0	16,209
Total Expenditures	4,280,692	319,507	114,596	950	4,715,745
Excess of Revenues Under Expenditures	28,373	(9,959)	(106,457)	333	(87,710)
Other Financing Sources/ (Uses):					
Operating Transfers In	0	3,050	0	0	3,050
Proceeds from Sale Notes	134,000	0	0	0	134,000
Operating Transfers Out	(3,050)	0	0	0	(3,050)
Total Other Financing Sources/(Uses)	130,950	3,050	0	0	134,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	159,323	(6,909)	(106,457)	333	46,290
Fund Balances at Beginning of Year	132,924	51,601	269,974	8,094	462,593
Decrease in Inventory	(4,983)	0	0	0	(4,983)
Fund Balances at End of Year	\$287,264	\$44,692	\$163,517	\$8,427	\$503,900

See accompanying notes to the general purpose financial statements

SEASIDE LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,445,120	\$2,445,120	\$0	\$0	\$0	\$0
Intergovernmental	1,786,502	1,786,502	0	239,141	239,141	0
Interest	45,375	45,375	0	0	0	0
Tuition and Fees	16,499	16,499	0	0	0	0
Rent	250	250	0	0	0	0
Extracurricular	0	0	0	70,407	70,407	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	8,797	8,797	0	0	0	0
Total Revenues	4,302,543	4,302,543	0	309,548	309,548	0
Expenditures:						
Current:						
Instruction:						
Regular	2,236,738	2,183,916	52,822	16,092	15,375	717
Special	317,559	298,669	17,890	198,718	189,934	8,784
Adult/Continuing	935	935	0	1,890	1,890	0
Support services:						
Pupils	148,853	139,314	9,539	8,750	8,750	0
Instructional Staff	130,888	112,672	18,216	52,463	48,537	3,928
Board of Education	28,680	22,679	3,981	0	0	0
Administration	464,951	443,046	21,905	20,807	9,604	11,203
Fiscal	177,355	172,272	5,083	0	0	0
Operation and Maintenance of Plant	822,364	539,497	282,867	0	0	0
Pupil Transportation	235,233	215,914	19,319	0	0	0
Non-Instructional Services	80	79	1	0	0	0
Extracurricular activities	99,957	94,479	5,478	71,786	66,336	5,450
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	110,291	103,076	7,215	0	0	0
Interest and Fiscal Charges	16,209	16,209	0	0	0	0
Total Expenditures	4,588,073	4,343,757	244,316	370,506	340,426	30,080
Excess of Revenues Under Expenditures	(285,530)	(41,214)	244,316	(60,958)	(30,878)	30,080
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	3,050	3,050	0
Refund of Prior Year Receipts	(3,140)	(3,140)	0	0	0	0
Proceeds from Sale of Notes	134,000	134,000	0	0	0	0
Operating Transfers Out	(3,064)	(3,050)	14	0	0	0
Total Other Financing Sources (Uses)	127,796	127,810	14	3,050	3,050	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(157,734)	86,596	244,330	(57,908)	(27,828)	30,080
Fund Balances at Beginning of Year	508,354	508,354	0	88,041	88,041	0
Prior Year Encumbrances Appropriated	33,041	33,041	0	3,941	3,941	0
Fund Balances at End of Year	\$383,661	\$627,991	\$244,330	\$34,074	\$64,154	\$30,080

See accompanying notes to the general purpose financial statements

(Continued)

SHADYSIDE LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	Capital Projects			Expendable Trust		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0	0
Interest	10,593	10,593	0	183	183	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular	0	0	0	0	0	0
Gifts and Donations	0	0	0	1,100	1,100	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	10,593	10,593	0	1,283	1,283	0
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	950	950	0
Special	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Support services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Capital Outlay	126,140	117,752	8,388	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	126,140	117,752	8,388	950	950	0
Excess of Revenues Under Expenditures	(115,547)	(107,159)	8,388	333	333	0
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(115,547)	(107,159)	8,388	333	333	0
Fund Balances at Beginning of Year	401,482	401,482	0	8,094	8,094	0
Prior Year Encumbrances Appropriated	459	459	0	0	0	0
Fund Balances (Deficit) at End of Year	\$286,394	\$294,782	\$8,388	\$8,427	\$8,427	\$0

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,445,120	\$2,445,120	\$0
2,025,643	2,025,643	0
56,151	56,151	0
16,499	16,499	0
250	250	0
70,407	70,407	0
1,100	1,100	0
8,797	8,797	0
<u>4,623,967</u>	<u>4,623,967</u>	<u>0</u>
2,253,780	2,200,241	53,539
516,277	489,603	26,674
2,825	2,825	0
157,603	148,064	9,539
183,351	161,209	22,142
26,660	22,679	3,981
485,758	452,650	33,108
177,355	172,272	5,083
622,364	539,497	82,867
235,233	215,914	19,319
80	79	1
171,743	160,815	10,928
126,140	117,752	8,388
110,291	103,076	7,215
16,209	16,209	0
<u>5,085,669</u>	<u>4,802,885</u>	<u>282,784</u>
(461,702)	(178,918)	282,784
3,050	3,050	0
(3,140)	(3,140)	0
134,000	134,000	0
(3,064)	(3,050)	14
<u>130,846</u>	<u>130,860</u>	<u>14</u>
(330,856)	(48,058)	282,798
1,005,971	1,005,971	0
37,441	37,441	0
<u>\$712,556</u>	<u>\$695,354</u>	<u>\$282,798</u>

SHADYSIDE LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Fund Equity

All Proprietary Fund Types

For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Sales	\$52,508	\$0	\$52,508
Charges for Services	0	135,888	135,888
Other Revenues	0	15,759	15,759
Total Operating Revenues	52,508	151,627	204,135
Operating Expenses:			
Salaries	38,222	0	38,222
Fringe Benefits	13,808	9,680	23,488
Purchased Services	1,781	0	1,781
Materials and Supplies	4,095	0	4,095
Cost of Sales	44,480	0	44,480
Depreciation	680	0	680
Claims	0	199,184	199,184
Total Operating Expenses	103,066	208,864	311,930
Operating Income Loss	(50,558)	(57,237)	(107,795)
Non-Operating Revenues:			
Federal Donated Commodities	6,558	0	6,558
Interest	188	3,289	3,467
Operating Grant	38,260	0	38,260
Total Other Financing Sources	44,986	3,289	48,285
Net Loss	(5,572)	(53,938)	(59,510)
Retained Earnings (Deficit) at Beginning of Year	(77,187)	38,753	(38,434)
Retained Earnings (Deficit) at End of Year	(82,759)	(15,185)	(97,944)
Contributed Capital at Beginning and End of Year	75,098	0	75,098
Total Fund Equity at (Deficit) End of Year	(\$7,661)	(\$15,185)	(\$22,846)

See accompanying notes to the general purpose financial statements

SHADYSIDE LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise			Internal Service			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:									
Sales	\$52,508	\$52,508	\$0	\$0	\$0	\$0	\$52,508	\$52,508	\$0
Charges for Services	0	0	0	135,868	135,868	0	135,868	135,868	0
Other Revenues	0	0	0	15,759	15,759	0	15,759	15,759	0
Total Operating Revenues	52,508	52,508	0	151,627	151,627	0	204,135	204,135	0
Operating Expenses:									
Salaries	37,470	37,423	47	0	0	0	37,470	37,423	47
Fringe Benefits	12,977	12,862	115	9,680	9,680	0	22,657	22,542	115
Purchased Services	1,767	1,767	0	244,512	244,513	(1)	246,279	246,280	(1)
Materials and Supplies	42,250	41,739	511	0	0	0	42,250	41,739	511
Capital Outlay	6,179	6,179	0	0	0	0	6,179	6,179	0
Total Operating Expenses	100,643	99,970	673	254,192	254,193	(1)	354,835	354,163	672
Operating Income (Loss)	(48,135)	(47,462)	673	(102,565)	(102,566)	(1)	(150,700)	(150,028)	672
Other Financing Sources:									
Interest	168	168	0	3,299	3,299	0	3,467	3,467	0
Federal and State Subsidies	38,260	38,260	0	0	0	0	38,260	38,260	0
Total Other Financing Sources	38,428	38,428	0	3,299	3,299	0	41,727	41,727	0
Excess of Revenues and Other Financing Sources Over (Under) Expenses	(9,707)	(9,034)	673	(99,266)	(99,267)	(1)	(108,973)	(108,301)	672
Fund Equity at Beginning of Year Prior Year	10,209	10,209	0	106,224	106,224	0	116,433	116,433	0
Encumbrances Appropriated	556	556	0	0	0	0	556	556	0
Fund Equity at End of Year	\$1,058	\$1,731	\$673	\$8,958	\$8,957	(\$1)	\$8,016	\$8,888	\$872

See accompanying notes to the general purpose financial statements

SHADYSIDE LOCAL SCHOOL DISTRICT
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$52,508	\$0	\$52,508
Cash Received from Quasi-External Transactions with Other Funds	0	135,868	135,868
Cash Received from Other Operating Sources	0	15,759	15,759
Cash Payments to Suppliers for Goods and Services	(43,356)	(9,680)	(53,036)
Cash Payments to Employees for Services	(37,423)	0	(37,423)
Cash Payments for Employee Benefits	(12,234)	0	(12,234)
Cash Payments for Claims	0	(244,433)	(244,433)
Net Cash Used for Operating Activities	(40,505)	(102,486)	(142,991)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	38,260	0	38,260
Net Cash Provided by Noncapital Financing Activities	38,260	0	38,260
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(6,179)	0	(6,179)
Net Cash Used for Capital and Related Financing Activities	(6,179)	0	(6,179)
Cash Flows from Investing Activities:			
Interest	168	3,299	3,467
Net Cash Provided by Investing Activities	168	3,299	3,467
Net Decrease in Cash and Cash Equivalents	(8,256)	(99,187)	(107,443)
Cash and Cash Equivalents at Beginning of Year	10,765	106,224	116,989
Cash and Cash Equivalents at End of Year	\$2,509	\$7,037	\$9,546
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Operating Loss	(\$50,558)	(\$57,237)	(\$107,795)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	680	0	680
Donated Commodities Used During Year	6,558	0	6,558
Changes in Assets and Liabilities:			
Decrease in Prepaid Items	70	0	70
Decrease in Inventory Held for Resale	387	0	387
Increase in Materials and Supplies Inventory	(7)	0	(7)
Increase in Accounts Payable	386	0	386
Increase in Accrued Wages	799	0	799
Increase in Compensated Absences Payable	1,205	0	1,205
Increase in Intergovernmental Payable	163	0	163
Decrease in Claims Payable	0	(45,249)	(45,249)
Decrease in Deferred Revenue	(188)	0	(188)
Total Adjustments	10,053	(45,249)	(35,196)
Net Cash Used for Operating Activities	(\$40,505)	(\$102,486)	(\$142,991)

See accompanying notes to the general purpose financial statements

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The first official body designated as the Shadyside Local Board of Education was formed on January 2, 1905. At that meeting, the clerk's salary was set at \$25.00 per year. The clerk was instructed to purchase a clerk's record.

At the second meeting, the Librarian's salary was set at \$10.00 per year.

A new building had been constructed prior to this time. Insurance was purchased to cover this structure in the amount of \$3,500.00 on the building and \$500.00 on the contents.

Shadyside Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Shadyside Local School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The board controls the school district's four instructional/support facilities staffed by 28 non-certificated, 58 certificated teaching personnel, and 6 administrators, who provide services to 927 students and other community members.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Shadyside 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 organization's 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.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations include the Belmont Harrison Vocational School District and the Ohio Mid-Eastern Regional Education Service Agency. These organizations are presented in Note 16 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shadyside Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary:

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The School District requested a final amended certificate prior to June 30, 1999.

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to Federal National Mortgage Association "Interest Only" Investments, United States Treasury Notes, and STAR Ohio, the State Treasurer's Investment Pool.

Except for the money market investment that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. The money market investment that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by 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, 1999.

Investment earnings are allocated as authorized by State statute. Interest revenue earned during fiscal year 1999 totaled \$45,375 in General Fund, \$8,139 in the Permanent Improvement capital projects fund, \$183 in the expendable trust funds, \$168 in the Food Service enterprise fund and \$3,299 in the Self-Insurance internal service fund.

The School District participates in the OME-RESA insurance consortium for self-insurance monies held separate from the school district's central bank account. These monies are reflected on the combined balance sheet as Cash and Cash Equivalents with Fiscal Agents.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered cash equivalents. Investments with an initial maturity of more than three months are reported as

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

investments.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization and a reserve for textbook and instructional materials. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twelve years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

- Entitlements*
 - General Fund*
 - State Foundation Program
 - State Property Tax Relief
 - School Bus Purchase Reimbursement
 - Special Revenue Funds*
 - Disadvantaged Pupil Impact Aid
- Non-Reimbursable Grants*
 - Special Revenue Funds*

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Title VIB
Disadvantaged Pupil Program Fund
Title I
Title VI
Educational Management Information System
Teacher Development
Telecommunication (Erate)
Continuous Improvement Plan Grant
Capital Projects Funds
School Net
School Net Plus
School Net Plus Round #3

Reimbursable Grants
General Fund
Driver Education
Medicaid/CAFS

Proprietary Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 44 percent of the School District's operating revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A. Accountability

At June 30, 1999, the School District had the following deficit fund balances due to GAAP accruals:

	<u>Deficit Fund Balance/ Retained Earnings</u>
DPIA (447)	(\$279)
Title I (572)	(\$19,676)
Lunchroom (006)	(\$7,661)
Self Insurance (024)	(\$15,185)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

5. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$159,323	(\$6,909)	(\$106,457)	\$333
Revenue Accruals	(6,522)	0	2,454	0
Expenditure Accruals	28,241	(5,106)	3,905	0
Prepaid Items	42,091	1,961	0	0
Materials and Supplies				
Inventory	4,471	0	0	0
Encumbrances	(141,008)	(17,774)	(7,061)	0
Budget Basis	<u>\$86,596</u>	<u>(\$27,828)</u>	<u>(\$107,159)</u>	<u>\$333</u>

Net Loss/Excess of Revenues and other Financing Sources Over (Under) Expenses
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$5,572)	(\$53,938)
Expense Accrual	(6,466)	(45,249)
Prepaid Items	471	0
Inventory held Resale	2,492	0
Material/Supply Inventory	139	0
Depreciation Expense	680	0
Encumbrances	(778)	(80)
Budget Basis	<u>(\$9,034)</u>	<u>(\$99,267)</u>

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - 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 Federal Deposit Insurance Corporation (FDIC) 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 by the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or 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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio); and
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 monies available for investments at any one time (only if treasurer has received necessary training); and, treasurer didn't have additional training.

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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Agreements) and Reverse Repurchase Agreements".

At June 30, 1999, the School District's internal service fund has a balance of \$7,037 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents for the OME-RESA Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self Insurance Plan, Debra Campana, who serves as Treasurer, Steubenville, Ohio 43952.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$185,253 and the bank balance was \$235,476. Of the bank balance, \$100,000 was covered by federal depository insurance and \$135,476 was uninsured and uncollateralized. 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.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Amount	Fair Value
Federal National Mortgage Association "Interest Only" Investment	\$5,860	\$5,860	\$5,860
	\$5,860	\$5,860	\$5,860
STAR Ohio		\$878,964	\$878,964
Totals		\$884,824	\$884,824

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash, cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,064,217	\$5,860
Investments:		
STAR Ohio	(878,964)	878,964
GASB Statement 3	\$185,253	\$884,824

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

The School District receives property taxes from Belmont 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$51,720 in the General Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$51,663,220	53.35%	\$52,378,020	54.36%
Public Utility	40,708,960	42.03%	39,598,230	41.1%
Tangible Personal Property	4,472,250	4.62%	4,379,450	4.54%
Total Assessed Value	\$96,844,430	100.00%	\$96,355,700	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.45		\$32.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The District had no intergovernmental receivables at June 30, 1999.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$83,681
Less Accumulated Depreciation	(73,573)
Net Fixed Assets	\$10,108

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land	\$42,289	\$0	\$0	\$42,289
Buildings and Improvements	2,528,206	0	0	2,528,206
Furniture, Fixtures and Equipment	1,951,118	153,178	12,718	2,091,578
Vehicles	276,278	0		276,278
Totals	\$4,797,891	\$153,178	\$12,718	\$4,938,351

NOTE 9 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations as early as fiscal year 1999.

Shadyside Local School District has completed an inventory of computer systems and other electronic equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management Information Systems (EMIS)). The District has three school buildings with power, heating systems which have extensive efficiency utilization measures within the system.

The financial reporting and payroll and employee benefits systems are handled by an external

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

organization (OME-RESA). OME-RESA is responsible for remediating these systems. OME-RESA reports that it has tested, validated, and remediated the Year 2000 issue.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments and federal funding. Further, the State processes a significant amount of financial and nonfinancial information about the School District through EMIS. The State is responsible for remediating these systems.

Belmont County collects property taxes for distribution to the School District. Belmont County is responsible for remediating its tax collection system.

The School District utilizes an outside company, Honeywell Inc. to provide temperature control services in the School District's three buildings. Honeywell reports the School District's hardware and software is Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

NOTE 10 - RISK MANAGEMENT

A. Property & Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for property insurance, and boiler and machinery insurance. The policies include a \$1,000 deductible.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance Company and hold no deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past fifteen years. There have been no significant reductions in insurance coverage from last year.

B. Employee Medical Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Pacific Mutual Life Insurance Company and the Medical Life Insurance Company, in amounts as follows:

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Employees with annual salary of \$15,000 or less - \$15,000
Employees with annual salary of more than \$15,000 - \$20,000

The School District has elected to provide employee medical/surgical benefits through a self insurance consortium through Ohio Mid Eastern Regional Education Service Agency. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan based on a usual, customary, and reasonable claim plan. There is a \$100 deductible per single or \$200 per family for the major medical portion of this coverage. A third-party administrator, Self-Funded Incorporated, located in Cleveland, Ohio reviews and pays all claims from a claims pool administered by Ohio Mid Eastern Regional Education Service Agency. The School District purchases stop-loss coverage of \$30,000 per employee.

The School District pays into the Ohio Mid Eastern Regional Education Service Agency fund pool \$433.25 for family coverage or \$180.70 for individual coverage per month, which represents 90% of the premium required. Employees contribute \$43.33 family coverage or \$18.07 individual coverage. The premium is paid by the fund that pays the salary of the employee and is based on historical cost information.

Dental coverage is also provided on a self-insured basis through Ohio Mid Eastern Regional Education Service Agency. Premiums for this coverage are \$47.39 monthly for family and single coverage. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The School District also provides prescription drug insurance to its employees through a self-insured program. This plan utilizes a \$2 per prescription deductible. The third-party administrator, Self-Funded, Inc. reviews and pays the claims. The premium for this coverage is \$127.19 monthly on a composite basis.

The School District also provides a major medical coverage, which covers doctor visits and other miscellaneous costs. This coverage is also provided through the Ohio Mid Eastern Regional Education Service Agency Self Insurance plan. Premiums for this coverage is \$35.86 for family coverage or \$15.83 for individual coverage. This represents the total premium required.

The claims liability of \$22,222 reported in the internal service fund at June 30, 1999, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the School District's third-party administrator.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	9,165	249,317	191,011	67,471
1999	67,471	199,184	244,433	22,222

C. Workers' Compensation

For fiscal year 1999, the School District participated in Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school district that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial service to the GRP.

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Shadyside Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$31,284, \$49,719, and \$72,618, respectively; 45.14 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$17,163 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Shadyside Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Shadyside Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$124,261, \$242,409, \$310,781, respectively; 82.24 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$22,071 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education elected social security. The Board's

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, an increase from 3.5% for fiscal year 1998. For the School District, this amount equaled \$165,681 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty five years of service credit must pay a portion of their premium for health care. The portion is based on year of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 % of covered payroll, an increase from 4.98% for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$34,943.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate,

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days for teachers and administrators and 55 days for classified employees, and \$5.00 per day accumulated sick leave for all remaining leave, to a maximum accumulation of 225 days.

B. Other Insurance

The School District contracts with local health management organizations, Advantage Health (Family Coverage \$524.51; Single Coverage \$202.65) and the Health Plan (Family Coverage,\$512.42; Single Coverage, \$204.97) for hospitalization and major medical insurance for all employees. The School District pays monthly premiums of up to \$389.92 for family coverage and \$162.63 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

C. Retirement Incentives

The School District will provide a retirement incentive of \$10,000 for those eligible and qualified. The member must be eligible for full retirement under any of Ohio's public retirement systems for the 1999 fiscal year. The member must have five years of consecutive service in the district.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During 1996, the School District entered into two capitalized leases for equipment and upgrades to the building. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$465,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The School District made \$103,076 in principal payments during 1999 from the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$116,761
2001	64,785
Total	181,546
Less: Amount Representing Interest	8,828
Present Value of Net Minimum Lease Payments	\$172,718

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Capital Leases	275,794	\$0	\$103,076	\$172,718
Pension Obligation	38,216	27,654	38,216	27,654
Early Retirement Incentive	10,000	2,500	5,000	7,500
Compensated Absences	600,182	581,599	600,182	581,599
Energy Loan	0	134,000	0	134,000
Total General Long-Term Obligations	\$924,192	\$745,753	\$746,474	\$923,471

Energy Conservation Loan - During 1991, Shadyside Local School District issued unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372.

This loan was rolled over into a capital lease during fiscal year 1996.

During June, 1999, Shadyside Local School District issued \$134,000 unvoted general obligation notes. The notes were issued for a fifteen year period with final maturity during fiscal year 2014.

Principal and interest requirements to retire general obligation debt, outstanding at June 30, 1999 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	6,011	10,533	16,544
2001	6,337	6,606	12,943
2002	6,682	6,253	12,935
2003	7,044	5,881	12,925
2004	7,427	5,488	12,915
2005-2009	48,676	22,144	70,820
2009-2013	45,437	5,629	51,066
2014	6,386	171	6,557
Totals	134,000	62,705	196,705

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Capital leases will be paid from the General Fund. Compensated absences, the pension obligation, and the early retirement incentive will be paid from the fund from which the employees' salaries are paid.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

BELMONT-HARRISON VOCATIONAL SCHOOL

The Belmont Harrison Vocational School is a jointly governed organization providing vocational services to its member school districts. The Vocational School is governed by a board of education comprised of members appointed by the participating schools. The board controls the financial activity of the Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Vocational School is not dependent on the District's continued participation and no equity interest exists.

OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to state statutes. OME-RESA provides financial accounting services, educational management information systems, cooperative purchase services and legal services to member School Districts. Each member District pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member Districts. Each District has one vote in all matters, and each member District's control is limited to its voting authority and any representation it may have on the board of directors. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no measurable equity interest exists. OME-RESA has no outstanding debt. During fiscal year 1999, the Shadyside Local School District paid \$34,113.46 to OME-RESA.

NOTE 17- INSURANCE PURCHASING POOL

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,588,944 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19-SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by the State statute to annually set aside an amount based on prior year revenues for the purchases of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for the budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

the textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set Aside Cash Balance 6/30/98	\$0	\$0	\$21,482	\$21,482
Current Year Set Aside Requirement	64,103	64,103	32,051	160,257
Current Year Offsets	(12,520)	0	0	(12,520)
Qualifying Disbursements	<u>(14,061)</u>	<u>(123,635)</u>	0	<u>(137,696)</u>
Total	<u>37,522</u>	<u>(59,532)</u>	<u>53,533</u>	<u>31,523</u>
Cash Balance FY1999	<u>37,522</u>	0	<u>53,533</u>	
Amt Restricted for Budget Stabilization				53,533
Amt. Restricted for Textbooks				37,522
Amt Restricted for Bus Purchase				<u>72,777</u>
Total Restricted Assets				\$163,832

Although, the School District had offsets and qualifying disbursements during the year that reduced the set-aside requirements to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Amounts remaining at year-end that have been set aside to satisfy statutory requirements must be represented by cash and should be presented as restricted assets on the balance sheet. Corresponding amounts should be reported as reserves of fund balance. Amounts remaining at year-end that have been set-aside in excess of statutory requirements should be reported as designations.

NOTE 20 - CONTINGENCIES

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, in the opinion of management, any such

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Shadyside Local School District
Belmont County
3890 Lincoln Avenue
Shadyside, Ohio 43947

To Members of the Board:

We have audited the general purpose financial statements of the Shadyside Local School District, Belmont County, Ohio, (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

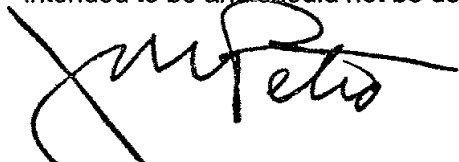
As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 1, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 1, 1999.

Shadyside Local School District
Belmont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 1, 1999

SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
1998-11007-001	Ohio Rev. Code Section 5705.412 - "412" Certificates were not attached to the appropriation measure, negotiated agreements, and contracts.	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: JAN 27 2000