



**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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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, 2001, 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 auditing standards generally accepted in the United States of America 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 Shadyside Local School District, Belmont County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 31, 2001

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**Shadyside Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	General	Special Revenue	Capital Projects
	-----	-----	-----
Assets and Other Debits:			
Assets:			

Equity in Pooled Cash and Cash Equivalents	\$482,828	\$154,204	\$185,620
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Property and Other Taxes	2,362,550	0	415,985
Accounts	776	0	0
Intergovernmental	2,833	7,466	0
Interfund	42,436	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	1,338	0	0
Prepaid Items	53,535	1,331	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	86,856	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	3,033,152	163,001	601,605
	=====	=====	=====
Liabilities:			

Accounts Payable	42,139	3,394	4,387
Accrued Wages	332,880	36,553	0
Compensated Absences Payable	20,866	0	0
Interfund Payable	0	23,304	0
Intergovernmental Payable	168,141	9,256	0
Deferred Revenue	2,275,705	7,466	399,011
Due to Students	0	0	0
Claims Payable	0	0	0
Long Term Pension Liability	0	0	0
Energy Conservation Loan Payable	0	0	0
Total Liabilities	2,839,731	79,973	403,398
	-----	-----	-----
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	97,760	24,505	22,273
Reserved for Inventory	1,338	0	0
Reserved for Property Taxes	86,845	0	16,974
Reserved for Budget Stabilization	21,482	0	0
Reserved for Bus Purchase	10,104	0	0
Designated for Budget Stabilization	101,666	0	0
Unreserved, Undesignated	(125,774)	58,523	158,960
Total Fund Equity (Deficits) and Other Credits	193,421	83,028	198,207
	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$3,033,152	\$163,001	\$601,605
	=====	=====	=====

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)
\$11,733	\$0	\$60,940	\$0	\$0	\$895,325
0	50,259	0	0	0	50,259
0	0	0	0	0	2,778,535
0	0	0	0	0	776
0	0	0	0	0	10,299
0	0	0	0	0	42,436
2,604	0	0	0	0	2,604
110	0	0	0	0	1,448
1,357	0	0	0	0	56,223
0	0	0	0	0	86,856
6,967	0	0	5,149,402	0	5,156,369
0	0	0	0	888,385	888,385
22,771	50,259	60,940	5,149,402	888,385	9,969,515
225	0	0	0	0	50,145
5,791	0	0	0	0	375,224
10,153	0	0	0	736,566	767,585
19,132	0	0	0	0	42,436
4,744	0	0	0	0	182,141
2,936	0	0	0	0	2,685,118
0	0	44,784	0	0	44,784
0	18,733	0	0	0	18,733
0	0	0	0	30,136	30,136
0	0	0	0	121,683	121,683
42,981	18,733	44,784	0	888,385	4,317,985
0	0	0	5,149,402	0	5,149,402
75,098	0	0	0	0	75,098
(95,308)	31,526	0	0	0	(63,782)
0	0	0	0	0	144,538
0	0	0	0	0	1,338
0	0	0	0	0	103,819
0	0	0	0	0	21,482
0	0	0	0	0	10,104
0	0	0	0	0	101,666
0	0	16,156	0	0	107,865
(20,210)	31,526	16,156	5,149,402	0	5,651,530
\$22,771	\$50,259	\$60,940	\$5,149,402	\$888,385	\$9,969,515

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, 2001

	General	Special Revenue
Revenues:		

Property and Other Taxes	\$2,481,709	\$0
Intergovernmental	1,956,428	360,731
Interest	49,651	0
Tuition and Fees	18,007	0
Rent	336	0
Extracurricular	0	95,820
Gifts and Donations	0	0
Miscellaneous	17,016	0
	-----	-----
Total Revenues	4,523,147	456,551
	-----	-----
Expenditures:		

Current:		
Instruction:		
Regular	2,323,281	33,040
Special	408,708	186,350
Support Services:		
Pupils	136,634	70,845
Instructional Staff	143,000	39,059
Board of Education	23,661	0
Administration	469,483	13,148
Fiscal	181,485	0
Operation and Maintenance of Plant	517,381	1,002
Pupil Transportation	175,040	0
Non Instructional Services	283	0
Extracurricular	105,012	70,023
Capital Outlay	0	0
Debt Service:		
Principal	3,654	0
Interest and Fiscal Charges	0	0
	-----	-----
Total Expenditures	4,487,622	413,467
	-----	-----
Excess of Revenues Over(U nder) Expenditures	35,525	43,084
	-----	-----
Other Financing Sources:		

Operating Transfers In	0	434
Operating Transfers Out	(13,616)	0
	-----	-----
Total Other Financing Sources and Uses	(13,616)	434
	-----	-----
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	21,909	43,518
Fund Balances at Beginning of Year	176,583	39,510
Decrease in Inventory	(5,071)	0
	-----	-----
Fund Balances at End of Year	\$193,421	\$83,028
	=====	=====

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
\$0	\$404,274	\$0	\$2,885,983
0	67,120	0	2,384,279
0	5,889	213	55,753
0	0	0	18,007
0	0	0	336
0	0	0	95,820
0	0	8,800	8,800
0	0	0	17,016
0	477,283	9,013	5,465,994
0	0	1,950	2,358,271
0	0	0	595,058
0	0	0	207,479
0	0	0	182,059
0	0	0	23,661
0	0	0	482,631
0	0	0	181,485
0	0	0	518,383
0	0	0	175,040
0	0	0	283
0	0	0	175,035
0	288,030	0	288,030
6,306	62,305	0	72,265
6,876	1,240	0	8,116
13,182	351,575	1,950	5,267,796
(13,182)	125,708	7,063	198,198
13,182	0	0	13,616
0	0	0	(13,616)
13,182	0	0	0
0	125,708	7,063	198,198
0	72,499	9,093	297,685
0	0	0	(5,071)
\$0	\$198,207	\$16,156	\$490,812

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, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,474,482	\$2,474,482	\$0	\$0	\$0	\$0
Intergovernmental	1,955,903	1,955,903	0	360,731	360,731	0
Interest	49,651	49,651	0	0	0	0
Tuition and Fees	18,007	18,007	0	0	0	0
Rent	336	336	0	0	0	0
Extracurricular	0	0	0	95,820	95,820	0
Gifts and Donations	1,550	1,550	0	0	0	0
Miscellaneous	487	487	0	0	0	0
Total Revenues	4,500,416	4,500,416	0	456,551	456,551	0
Expenditures:						
Current:						
Instruction:						
Regular	2,351,456	2,333,835	17,621	35,214	28,933	6,281
Special	422,438	418,987	3,451	221,905	184,422	37,483
Adult/Continuing	566	0	566	0	0	0
Support services:						
Pupils	149,962	148,217	1,745	63,759	63,583	176
Instructional Staff	141,705	140,454	1,251	43,118	41,534	1,584
Board of Education	23,281	23,279	2	0	0	0
Administration	478,003	471,197	6,806	17,925	13,439	4,486
Fiscal	181,343	180,933	410	0	0	0
Operation and Maintenance of Plant	528,609	522,195	6,414	1,002	1,002	0
Pupil Transportation	234,869	229,231	5,638	0	0	0
Non-Instructional Services	313	283	30	0	0	0
Extracurricular activities	118,871	104,986	13,885	98,110	96,741	1,369
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	3,654	3,654	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	4,635,070	4,577,251	57,819	481,033	429,654	51,379
Excess of Revenues Over (Under) Expenditure	(134,654)	(76,835)	57,819	(24,482)	26,897	51,379
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	434	434	0
Advances In	0	0	0	23,304	23,304	0
Refund of Prior Year Expenditures	16,031	16,031	0	0	0	0
Refund of Prior Year Receipts	(100)	0	100	0	0	0
Other Financing Uses	0	0	0	0	0	0
Operating Transfers Out	(14,217)	(13,616)	601	0	0	0
Advances Out	(42,436)	(42,436)	0	0	0	0
Total Other Financing Sources (Uses)	(40,722)	(40,021)	701	23,738	23,738	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(175,376)	(116,856)	58,520	(744)	50,635	51,379
Fund Balances at Beginning of Year	477,232	477,232	0	72,606	72,606	0
Prior Year Encumbrances Appropriated	75,590	75,590	0	4,468	4,468	0
Fund Balances at End of Year	\$377,446	\$435,966	\$58,520	\$76,330	\$127,709	\$51,379

See accompanying notes to the general purpose financial statements

(Continued)

	Debt Service			Capital Projects		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$0	\$0	\$0	\$403,669	\$403,669	\$0	
0	0	0	67,120	67,120	0	
0	0	0	6,637	6,637	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	477,426	477,426	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	370,594	316,341	54,253	
6,306	6,306	0	62,305	62,305	0	
6,876	6,876	0	1,240	1,240	0	
13,182	13,182	0	434,139	379,886	54,253	
(13,182)	(13,182)	0	43,287	97,540	54,253	
13,182	13,182	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
0	0	0	(137,277)	(136,124)	1,153	
0	0	0	0	0	0	
0	0	0	0	0	0	
13,182	13,182	0	(137,277)	(136,124)	1,153	
0	0	0	(93,990)	(38,584)	55,406	
0	0	0	143,391	143,391	0	
0	0	0	54,153	54,153	0	
\$0	\$0	\$0	\$103,554	\$158,960	\$55,406	

(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 (Continued)
For the Fiscal Year Ended June 30, 2001

	Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$0	\$0	\$0	\$2,878,151	\$2,878,151	\$0
Intergovernmental	0	0	0	2,383,754	2,383,754	0
Interest	213	213	0	56,501	56,501	0
Tuition and Fees	0	0	0	18,007	18,007	0
Rent	0	0	0	336	336	0
Extracurricular	0	0	0	95,820	95,820	0
Gifts and Donations	8,800	8,800	0	10,350	10,350	0
Miscellaneous	0	0	0	487	487	0
Total Revenues	9,013	9,013	0	5,443,406	5,443,406	0
Expenditures:						
Current:						
Instruction:						
Regular	2,350	1,950	400	2,389,020	2,364,718	24,302
Special	0	0	0	644,343	603,409	40,934
Adult/Continuing	0	0	0	566	0	566
Support services:						
Pupils	0	0	0	213,721	211,800	1,921
Instructional Staff	0	0	0	184,823	181,988	2,835
Board of Education	0	0	0	23,281	23,279	2
Administration	0	0	0	495,928	484,636	11,292
Fiscal	0	0	0	181,343	180,933	410
Operation and Maintenance of Plant	0	0	0	529,611	523,197	6,414
Pupil Transportation	0	0	0	234,869	229,231	5,638
Non-Instructional Services	0	0	0	313	283	30
Extracurricular activities	0	0	0	216,981	201,727	15,254
Capital Outlay	0	0	0	370,594	316,341	54,253
Debt Service:						
Principal Retirement	0	0	0	72,265	72,265	0
Interest and Fiscal Charges	0	0	0	8,116	8,116	0
Total Expenditures	2,350	1,950	400	5,565,774	5,401,923	163,851
Excess of Revenues Over (Under) Expenditure	6,663	7,063	400	(122,368)	41,483	163,851
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	13,616	13,616	0
Advances In	0	0	0	23,304	23,304	0
Refund of Prior Year Expenditures	0	0	0	16,031	16,031	0
Refund of Prior Year Receipts	0	0	0	(100)	0	100
Other Financing Uses	0	0	0	(137,277)	(136,124)	1,153
Operating Transfers Out	0	0	0	(14,217)	(13,616)	601
Advances Out	0	0	0	(42,436)	(42,436)	0
Total Other Financing Sources (Uses)	0	0	0	(141,079)	(139,225)	1,854
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,663	7,063	400	(263,447)	(97,742)	165,705
Fund Balances at Beginning of Year	9,092	9,092	0	702,321	702,321	0
Prior Year Encumbrances Appropriated	0	0	0	134,211	134,211	0
Fund Balances at End of Year	\$15,755	\$16,155	\$400	\$573,085	\$738,790	\$165,705

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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Sales	\$59,537	\$0	\$59,537
Charges for Services	0	190,897	190,897
Other Revenues	0	6,944	6,944
Total Operating Revenues	59,537	197,841	257,378
Operating Expenses:			
Salaries	38,004	0	38,004
Fringe Benefits	20,166	0	20,166
Purchased Services	2,075	13,113	15,188
Materials and Supplies	4,918	0	4,918
Cost of Sales	46,095	0	46,095
Depreciation	886	0	886
Claims	0	143,946	143,946
Total Operating Expenses	112,144	157,059	269,203
Operating Income (Loss)	(52,607)	40,782	(11,825)
Non-Operating Revenues:			
Federal Donated Commodities	7,135	0	7,135
Interest	4,180	1,436	5,616
Operating Grant	32,068	0	32,068
Total Non-Operating Revenues	43,383	1,436	44,819
Net Income (Deficit)	(9,224)	42,218	32,994
Retained Earnings (Deficit) at Beginning of Year	(86,084)	(10,692)	(96,776)
Retained Earnings (Deficit) at End of Year	(95,308)	31,526	(63,782)
Contributed Capital at Beginning and End of Year	75,098	0	75,098
Total Fund Equity (Deficit) at End of Year	(\$20,210)	\$31,526	\$11,316

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, 2001

	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	\$59,537	\$59,537	\$0	\$0	\$0	\$0	\$59,537	\$59,537	\$0
Charges for Services	0	0	0	173,013	190,897	17,884	173,013	190,897	17,884
Interest	4,180	4,180	0	1,436	1,436	0	5,616	5,616	0
Operating Grants	32,068	32,068	0	0	0	0	32,068	32,068	0
Other Revenues	0	0	0	6,944	6,944	0	6,944	6,944	0
Total Operating Revenues	95,785	95,785	0	181,393	199,277	17,884	277,178	295,062	17,884
Operating Expenses:									
Salaries	36,600	37,786	(1,186)	0	0	0	36,600	37,786	(1,186)
Fringe Benefits	14,600	20,483	(5,883)	150,221	147,108	3,113	164,821	167,591	(2,770)
Purchased Services	1,000	2,050	(1,050)	10,000	13,113	(3,113)	11,000	15,163	(4,163)
Materials and Supplies	54,000	45,034	8,966	0	0	0	54,000	45,034	8,966
Total Operating Expenses	106,200	105,353	847	160,221	160,221	0	266,421	265,574	847
Excess of Revenues Over (Under) Expenses	(10,415)	(9,568)	847	21,172	39,056	17,884	10,757	29,488	18,731
Advances In	19,132	19,132	0	0	0	0	19,132	19,132	0
Excess of Revenues Advances Under Expenses	8,717	9,564	847	21,172	39,056	17,884	29,889	48,620	18,731
Fund Equity at Beginning of Year	507	507	0	11,203	11,203	0	11,710	11,710	0
Prior Year Encumbrances Appropriated	551	551	0	0	0	0	551	551	0
Fund Equity at End of Year	\$9,775	\$10,622	\$847	\$32,375	\$50,259	\$17,884	\$42,150	\$60,881	\$18,731

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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
<hr style="border-top: 1px dashed black;"/>			
Cash Flows from Operating Activities:			
<hr style="border-top: 1px dashed black;"/>			
Cash Received from Sales	\$59,537	\$0	\$59,537
Cash Received from			
Quasi-External Transactions with Other Funds	0	190,897	190,897
Cash Received from Other Operating Sources	0	6,944	6,944
Cash Payments to Suppliers for Goods and Services	(45,971)	(13,113)	(59,084)
Cash Payments to Employees for Services	(37,787)	0	(37,787)
Cash Payments for Employee Benefits	(20,483)	0	(20,483)
Cash Payments for Claims	0	(147,108)	(147,108)
Net Cash Provided by (Used for) Operating Activities	(44,704)	37,620	(7,084)
<hr style="border-top: 1px dashed black;"/>			
Cash Flows from Noncapital Financing Activities:			
<hr style="border-top: 1px dashed black;"/>			
Operating Grants Received	32,068	0	32,068
Short-Term Interfund Loans	19,132	0	19,132
Net Cash Provided by Noncapital Financing Activities	51,200	0	51,200
<hr style="border-top: 1px dashed black;"/>			
Cash Flows from Investing Activities:			
<hr style="border-top: 1px dashed black;"/>			
Interest	4,180	1,436	5,616
Net Cash Provided by Investing Activities	4,180	1,436	5,616
Net Increase (Decrease) in Cash and Cash Equivalents	10,676	39,056	49,732
Cash and Cash Equivalents at Beginning of Year	1,057	11,203	12,260
Cash and Cash Equivalents at End of Year	\$11,733	\$50,259	\$61,992
<hr style="border-top: 1px dashed black;"/>			
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<hr style="border-top: 1px dashed black;"/>			
Operating Income (Loss)	(\$52,607)	\$31,092	(\$21,515)
<hr style="border-top: 1px dashed black;"/>			
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<hr style="border-top: 1px dashed black;"/>			
Depreciation	886	0	886
Donated Commodities Used During Year	7,135	0	7,135
Changes in Assets and Liabilities:			
Increase in Prepaid Items	(774)	0	(774)
Decrease in Inventory Held for Resale	429	0	429
Decrease in Materials and Supplies Inventory	73	0	73
Decrease in Accounts Payable	(1,395)	0	(1,395)
Increase in Accrued Wages	218	0	218
Increase in Compensated Absences Payable	335	0	335
Increase in Intergovernmental Payable	1,288	0	1,288
Decrease in Claims Payable	0	(3,162)	(3,162)
Decrease in Deferred Revenue	(292)	0	(292)
Total Adjustments	7,903	(3,162)	4,741
Net Cash Provided by (Used for) Operating Activities	(\$44,704)	\$27,930	(\$16,774)

See accompanying notes to the general purpose financial statements

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Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 26 non-certificated, 60 certificated teaching personnel, and 6 administrators, who provide services to 895 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. No separate government units meet the criteria for inclusion as a component unit.

The School District is associated with two jointly governed organizations, the Belmont Harrison Joint Vocational School District and the Ohio Mid-Eastern Regional Education Service Agency and, the Ohio School Board's Association Worker's Compensation Group Rating Plan which is defined as a group insurance purchasing pool. These organizations are presented in Note 16 and 17 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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

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 expenditures 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).

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long term obligations principal, interest, and related costs.

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 the School District's activities that are financed and operated in a manner similar to private business enterprises where the intent is that the

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. 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.

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.

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 and agency funds. The full accrual basis of accounting is followed for the Proprietary funds.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transaction, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a governmental fund financial statements, receivables that will not be collected within the available period have also been reported 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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each 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. The School District budgets for advances.

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 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of 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 as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Investments

To improve cash management, 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 the School District's 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 2001, investments were limited to Federal National Mortgage Association "Interest Only" Investments and STAROhio, the State Treasurer's Investment Pool.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for at June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2001 amounted to: \$49,651 in the general fund; \$5,889 in the permanent improvement capital projects fund; \$213 in the expendable trust funds; \$1,436 in the self insurance internal service fund; and \$4,180 in the food service enterprise 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".

The Federal National Mortgage Association "Interest Only" Investments were sold during fiscal year 2001.

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 investments.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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. See Note 19 for additional information regarding set-asides.

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, 2001, 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.

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.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

K. 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 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.

L. 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.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. 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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 for the workers compensation refund, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations 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.

O. Designated Fund Balance

The School District has a fund balance designation on the balance sheet for additional money above the reserve for budget stabilization required by State statute.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are 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 are 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 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2001.

The School District had a prior period restatement to the General Fixed Assets Account Group for assets that were inadvertently not capitalized at June 30, 2000. The restatement was in the amount of \$46,019, and changed the investment in General Fixed Assets Account from \$4,971,149 to \$5,017,168.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the following funds had a deficit fund or retained earnings:

	Deficit fund Balance/Retained Earnings
<i>Special Revenue Funds:</i>	
Disadvantaged Pupil Impact Aid	(\$75)
Title I	(\$9,773)
Title VI	(\$467)
<i>Enterprise Fund:</i>	
Food Service	(\$20,210)

The deficit fund balance in the special revenue funds were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The enterprise fund retained earnings deficit resulted from the application of generally accepted accounting principles. The School District will review the operations to determine if steps need to be taken to insure that the funds are self-sustaining.

NOTE 5 - 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 the Combined Statement of Revenues, Expenses and Changes in Equity Balances - 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).
5. Proceeds from and principal payments on other liabilities are reported on the operating statement

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

(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

	General	Special Revenue	Capital Projects
GAAP Basis	\$21,909	\$43,518	\$125,708
Revenue Accruals	(6,700)	0	143
Advances	(42,436)	23,304	0
Expenditure Accruals	48,415	11,104	(137,775)
Prepaid Items	(4,311)	(793)	0
Encumbrances	(133,733)	(26,498)	(26,660)
Budget Basis	<u>(\$116,856)</u>	<u>\$50,635</u>	<u>(\$38,584)</u>

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

	Enterprise	Internal Service
GAAP Basis	(\$9,224)	\$42,218
Donated Commodities	(7,135)	0
Expense Accrual	7,290	(3,162)
Advances In	19,132	0
Prepaid Items	(774)	0
Inventory held Resale	429	0
Material/Supply Inventory	73	0
Depreciation Expense	886	0
Encumbrances	(1,113)	0
Budget Basis	<u>\$9,564</u>	<u>\$39,056</u>

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - 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 no 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 no 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 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; and
6. The State Treasurer's investment pool (STAROhio); and,
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 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 Agreements) and Reverse Repurchase Agreements".

At June 30, 2001, the School District's internal service fund has a balance of \$50,259 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 \$161,044 and the bank balance was \$306,476. Of the bank balance, \$106,492 was covered by federal depository insurance and \$199,984 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.

	Fair Value
	<hr/>
STAROhio	\$821,137
	<hr/> <hr/>

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 and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$982,181	\$0
Investments:		
STAROhio	(821,137)	821,137
GASB Statement 3	\$161,044	\$821,137

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

Real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes which became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$53,004,140	54.96%	\$60,419,850	58.22%
Public Utility	38,229,800	39.64%	37,903,930	36.52%
Tangible Personal Property	5,203,920	5.40%	5,452,820	5.26%
Total Assessed Value	\$96,437,860	100.00%	\$103,776,600	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.40		\$38.40	

Shadyside Local School District
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For the Fiscal Year Ended June 30, 2001

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

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

The School District receives property taxes from 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, 2001, are available to finance fiscal year 2001 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, real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. 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, 2001 was \$103,819 and is recognized as revenue. \$86,845 was available to the General Fund and \$16,974 was available to the Capital Projects Fund. At June 30, 2000, \$79,618 was available to the General Fund, and \$16,369 was available to the Capital Projects Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts and intergovernmental grants. 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. At June 30, 2001, the General Fund had intergovernmental receivables of \$2,833 for Community Alternative Funding System Programs, the Title VIB special revenue fund had \$6,486, and the Title VI special revenue fund had \$980 in intergovernmental receivables.

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$80,270
Less Accumulated Depreciation	<u>(73,303)</u>
Net Fixed Assets	<u><u>\$6,967</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land	\$42,289	\$0	\$0	\$42,289
Buildings and Improvements	2,548,398	0	0	2,548,398

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Furniture, Fixtures and Equipment	2,150,203	168,765	36,531	2,282,437
Vehicles	276,278	0	0	276,278
Totals	\$5,017,168	\$168,765	\$36,531	\$5,149,402

There was no significant construction in progress at June 30, 2001.

NOTE 10 - RISK MANAGEMENT

A. Property and 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 2001, 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:

- 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 \$502.93 for family coverage or \$210.70 for individual coverage per month, which represents 90% of the premium required. Employees contribute \$50.29 family coverage or \$21.07 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 \$53.21 monthly for family and single coverage. The School

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 \$193.18 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 \$38.45 for family coverage or \$16.97 for individual coverage. This represents the total premium required.

The claims liability of \$18,733 reported in the internal service fund at June 30, 2001, 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.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2000	\$22,223	\$127,839	\$128,167	\$21,895
2001	\$21,895	\$143,946	\$147,108	\$18,733

C. Workers' Compensation

For fiscal year 2001, the School District participated in the 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 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 districts that can meet the GRPs selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$21,500, \$30,937, and \$31,284, respectively; 36.93 percent has been contributed for fiscal year 2001, and 100 percent for the fiscal years 2000 and 1999. \$30,136 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations 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, 2001, 2000, and 1999, were \$258,597, \$150,675 and \$124,261, respectively; 82.69 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$65,956 represents the unpaid contribution for fiscal year 2001, and 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, 2001, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POST-EMPLOYMENT 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-certificated employees and their

Shadyside Local School District
Notes to the General Purpose Financial Statements
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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 cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$122,493 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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 years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$56,459.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants 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.

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 65 days for classified employees, and \$10 per day accumulated sick leave for all remaining leave, to a

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

maximum accumulation of 225 days.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days in fiscal year 2001. Upon retirement, payment is made for 30 percent of accumulated sick leave at 30 years; 29 percent of accumulated sick leave at 31 years; 28 percent of accumulated sick leave at 32 years; 27 percent of accumulated sick leave at 33 years; 26 percent of accumulated sick leave at 34 years; 25 percent of accumulated sick leave at 35 years. If an employee is eligible to retire at less than 30 years of credited service, severance will be calculated in the following manner:

Number of years credited service divided by 30 equaling the prorated factor
Prorated factor will then be multiplied by the 30 percent/ 30 years,(see formula as stated above)

B. Other Insurance

The School District contracts with a local health management organization - the Health Plan of the Upper Ohio Valley - (Family Coverage,\$554.01; Single Coverage, \$221.82) for hospitalization and major medical insurance for all employees. The School District pays 100 percent of the monthly premiums. Premiums are paid from the same funds that pay the employees' salaries.

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, 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 \$63,545 in principal payments during 2001 from the General Fund and Permanent Improvement Capital Projects Fund, which completely repaid the outstanding balance of the leases at June 30, 2001.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Capital Leases	\$63,545	\$0	\$63,545	\$0
Pension Obligation	33,278	30,136	33,278	30,136
Compensated Absences	665,228	736,566	665,228	736,566

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Energy Loan	127,989	0	6,306	121,683
Total General Long-Term Obligations	\$890,040	\$766,702	\$768,357	\$888,385

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. The notes were issued for a ten year period with final maturity during fiscal year 2001. This loan was rolled over into a capital lease during fiscal year 1996.

During 1999, Shadyside Local School District issued \$134,000 in unvoted general obligation notes. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. The loan will be repaid from energy savings realized from the energy conservation measures transferred from the General Fund to the Debt Service Fund.

Principal and interest payments to retire general obligation debt, outstanding at June 30, 2001 are as follows:

Fiscal Year	Principal	Interest	Total
2002	\$6,608	\$6,574	\$13,182
2003	7,023	6,159	13,182
2004	7,394	5,788	13,182
2005	7,816	5,366	13,182
2006	8,247	4,935	13,182
2007-2011	48,558	17,352	65,910
2012-2015	36,037	3,509	39,546
Totals	\$121,683	\$49,683	\$171,366

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Belmont-Harrison Vocational School

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

B. Ohio Mid Eastern Regional Education Service Agency (OME-RESA)

The Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

educational management information system, cooperative purchases services , and legal services to member districts. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid Eastern Regional Educational Service Agency, Debra Angelo, Treasurer, Steubenville, Ohio 43952.

NOTE 17 - INSURANCE PURCHASING POOL

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 -SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17,2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re- examine and redetermine any issue upon reconsideration.

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

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and 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 textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Cash Balance as of June 30, 2000	\$89,060	\$0	(\$9,943)
Reduction in Budget Stabilization Based on Statutory Revision	(67,578)	0	0
Current Year Set-aside Requirement	0	110,400	110,400
Qualifying Disbursements	0	(113,471)	(225,615)
Set-aside Balance Carried Forward to Future Years	<u>\$21,482</u>	<u>\$0</u>	<u>(\$125,158)</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$21,482</u>	<u>\$0</u>	<u>\$0</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. The extra amounts in the textbooks set-aside may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$21,48

The School District has voluntarily elected to maintain a budget reserve in excess of the statutory requirements. This voluntary contribution has been reported as designated fund balance in the general fund.

Shadyside Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - CONTINGENCIES

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 disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.



STATE OF OHIO
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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, 2001, and have issued our report thereon dated December 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 31, 2001.

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 31, 2001.

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 the audit committee, management, 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 31, 2001

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

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

None



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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2002**