



Mary Taylor, CPA  
Auditor of State



**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to a projected General Fund deficit. Note 21 to the financial statements describes management's plans to address the projected General Fund deficit.

As discussed in Note 22 to the financial statements, on January 13, 2009, the Board of Education passed a resolution making the previous advances from the General Fund to the Food Service Fund permanent transfers.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 26, 2009

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of the Shadyside Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2008 are as follows:

- In total, net assets increased \$833,187 due to increased revenues from the passage of a 6 mill emergency levy that began collections in calendar year 2007, as well as increased grant funding.
- General revenues accounted for \$5,855,492 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,685,322 or 22 percent of total revenues of \$7,540,814.
- Total assets of governmental activities increased \$895,416 primarily due to an increased cash balance that was slightly offset by depreciation of capital assets.
- The School District had \$6,707,627 in expenses related to governmental activities; only \$1,685,322 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues of \$5,855,492 were adequate to provide for these programs.
- The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,346,421 in revenues and \$5,768,708 in expenditures, and the Permanent Improvement Fund had \$472,430 in revenues and \$266,197 in expenditures. Overall, including transfers, the General Fund's balance increased \$543,192, and the Permanent Improvement Fund's balance increased \$206,233.

**Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as Governmental Activities including: instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, and the permanent improvement capital projects fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

**Table 1**  
**Net Assets**  
**Governmental Activities**

	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$5,685,963	\$4,654,339	\$1,031,624
Capital Assets	1,083,448	1,219,656	(136,208)
<b>Total Assets</b>	<b>6,769,411</b>	<b>5,873,995</b>	<b>895,416</b>
<b>Liabilities</b>			
Long-Term Liabilities	572,104	589,489	(17,385)
Other Liabilities	3,673,280	3,593,666	79,614
<b>Total Liabilities</b>	<b>4,245,384</b>	<b>4,183,155</b>	<b>62,229</b>
<b>Net Assets</b>			
Invested in Capital Assets	1,001,147	1,099,318	(98,171)
Restricted	579,428	424,843	154,585
Unrestricted	943,452	166,679	776,773
<b>Total Net Assets</b>	<b>\$2,524,027</b>	<b>\$1,690,840</b>	<b>\$833,187</b>

Total assets increased \$895,416. Current assets increased by \$1,031,624, primarily due to increased cash balances. The decrease in capital assets was due primarily to depreciation expense.

Total liabilities increased \$62,229. Long-Term Liabilities decreased due to payments of long-term obligations and was offset by increased other liabilities primarily for accrued wages and benefits.

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
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Table 2 shows the changes in net assets for the fiscal years ended June 30, 2007 and 2008.

	<b>Table 2</b>		
	<b>Changes in Net Assets</b>		
	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$1,036,433	\$994,095	\$42,338
Operating Grants and Contributions	637,026	667,010	(29,984)
Capital Grants and Contributions	11,863	18,176	(6,313)
Total Program Revenues	<u>1,685,322</u>	<u>1,679,281</u>	<u>6,041</u>
General Revenues			
Property Taxes	2,849,961	2,701,882	148,079
Grants and Entitlements not Restricted to Specific Programs	2,922,708	2,668,690	254,018
Others	82,823	56,738	26,085
Total General Revenues	<u>5,855,492</u>	<u>5,427,310</u>	<u>428,182</u>
<b>Total Revenues</b>	<u><b>7,540,814</b></u>	<u><b>7,106,591</b></u>	<u><b>434,223</b></u>
<b>Program Expenses</b>			
Instruction:			
Regular	3,412,841	2,905,128	507,713
Special	697,264	578,715	118,549
Vocational	17,112	13,536	3,576
Support Services:			
Pupils	239,652	244,337	(4,685)
Instructional Staff	131,594	149,418	(17,824)
Board of Education	19,714	22,625	(2,911)
Administration	641,742	591,524	50,218
Fiscal	255,338	253,084	2,254
Operation and Maintenance of Plant	742,137	782,005	(39,868)
Pupil Transportation	180,051	285,327	(105,276)
Operation of Non-Instructional Services	500	500	0
Food Service Operations	141,782	133,319	8,463
Extracurricular Activities	220,583	204,975	15,608
Interest and Fiscal Charges	7,317	10,653	(3,336)
<b>Total Expenses</b>	<u><b>6,707,627</b></u>	<u><b>6,175,146</b></u>	<u><b>532,481</b></u>
<b>Increase in Net Assets</b>	833,187	931,445	(98,258)
Net Assets Beginning of Year	<u>1,690,840</u>	<u>759,395</u>	<u>931,445</u>
<b>Net Assets End of Year</b>	<u><b>\$2,524,027</b></u>	<u><b>\$1,690,840</b></u>	<u><b>\$833,187</b></u>

In 2008 program revenues increased. Property taxes increased by \$148,079 from the prior year due to the passage of a 6 mill emergency levy that began collections in January 2007. Therefore, fiscal year 2008 was the first full year of collections.

Program revenues accounted for 22 percent of the School District's revenues in fiscal year 2008. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Instructional programs comprise approximately 62 percent of total governmental program expenses. Of the instructional expenses, approximately 82 percent is for regular instruction, 17 percent for special instruction, and 1 percent for vocational instruction. Overall expenses reflect an increase of \$532,481, which is due primarily to increased program costs including differences in accruals relating to compensated absences, accrued wages and benefits, and depreciation on capital assets. Pupil transportation decreased \$105,276 primarily due to a reduction of bus maintenance staff.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2007 and 2008. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction:				
Regular	\$3,412,841	\$2,905,128	\$2,485,679	\$1,992,361
Special	697,264	578,715	248,002	123,209
Vocational	17,112	13,536	(2,909)	(1,623)
Support Services:				
Pupils	239,652	244,337	234,607	234,805
Instructional Staff	131,594	149,418	125,320	136,376
Board of Education	19,714	22,625	19,714	22,625
Aministration	641,742	591,524	641,742	591,524
Fiscal	255,338	253,084	252,566	245,002
Operation and Maintenance of Plant	742,137	782,005	741,891	781,732
Pupil Transportation	180,051	285,327	177,188	280,193
Operation of Non-Instructional Services	500	500	500	500
Food Service Operations	141,782	133,319	6,530	(1,782)
Extracurricular Activities	220,583	204,975	84,158	80,290
Interest and Fiscal Charges	7,317	10,653	7,317	10,653
<b>Total Expenses</b>	<u><u>\$6,707,627</u></u>	<u><u>\$6,175,146</u></u>	<u><u>\$5,022,305</u></u>	<u><u>\$4,495,865</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 75 percent of expenses are supported through taxes and other general revenues.

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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**The School District Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$6,346,421 and expenditures of \$5,768,708 and the Permanent Improvement Fund had total revenues of \$472,430 and expenditures of \$266,197. Overall the General Fund's balance increased \$543,192 and the Permanent Improvement Fund's balance increased \$206,233.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The actual results of operations were significantly different than budgeted amounts as spending in most categories were lower than budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008 the School District had \$1,083,448 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2008, the School District had \$66,694 in energy conservation loans outstanding and \$15,607 in capital leases outstanding.

See Note 15 for more information regarding debt.

**Economic Factors**

The School District started experiencing financial difficulty in 2004. The School District relies heavily on state funds and our local taxpayers. The School District was placed in Fiscal Caution on April 12, 2004 and remains there today.

The School District implemented an expenditure reduction plan during fiscal year 2005 which included a reduction in force as well as a pay freeze. The School District submitted an additional expenditure reduction plan for fiscal year 2006 which included additional reductions in salary costs through attrition. See Note 21 for further information.

**Shadyside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The School District passed a 3 year 6 mill emergency levy in May 2006. This levy raises an additional \$519,472, and collections began in calendar year 2007. The School District has also implemented additional cost saving measures that has enabled the School District to end fiscal year 2008 with a \$1.2 million general fund unencumbered cash basis balance. The School District must continue to monitor finances in order to maintain financial stability when the emergency levy expires and the tangible personal property reimbursement ceases.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Melissa Visnic, Treasurer/CFO at Shadyside Local School District, 3890 Lincoln Avenue, Shadyside, Ohio 43947.

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**Shadyside Local School District**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,811,102
Intergovernmental Receivable	130,955
Prepaid Items	25,842
Materials and Supplies Inventory	2,330
Cash and Cash Equivalents with Fiscal Agents	714,895
Property Taxes Receivable	3,000,839
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	<u>1,041,159</u>
<i>Total Assets</i>	<u>6,769,411</u>
<b>Liabilities</b>	
Accounts Payable	21,624
Accrued Wages and Benefits Payable	518,597
Intergovernmental Payable	169,776
Claims Payable	47,509
Deferred Revenue	2,777,018
Matured Severance Payable	138,756
Long-Term Liabilities:	
Due Within One Year	49,279
Due In More Than One Year	<u>522,825</u>
<i>Total Liabilities</i>	<u>4,245,384</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,001,147
Restricted for:	
Capital Projects	540,214
Debt Service	500
Bus Purchase	7,997
Other Purposes	30,717
Unrestricted	<u>943,452</u>
<i>Total Net Assets</i>	<u><u>\$2,524,027</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,412,841	\$825,060	\$99,376	\$2,726	(\$2,485,679)
Special	697,264	0	449,262	0	(248,002)
Vocational	17,112	0	20,021	0	2,909
Support Services:					
Pupil	239,652	0	5,045	0	(234,607)
Instructional Staff	131,594	0	0	6,274	(125,320)
Board of Education	19,714	0	0	0	(19,714)
Administration	641,742	0	0	0	(641,742)
Fiscal	255,338	0	2,772	0	(252,566)
Operation and Maintenance of Plant	742,137	246	0	0	(741,891)
Pupil Transportation	180,051	0	0	2,863	(177,188)
Operation of Non-Instructional Services	500	0	0	0	(500)
Food Service Operations	141,782	74,702	60,550	0	(6,530)
Extracurricular Activities	220,583	136,425	0	0	(84,158)
Interest and Fiscal Charges	7,317	0	0	0	(7,317)
<i>Total Governmental Activities</i>	<u>\$6,707,627</u>	<u>\$1,036,433</u>	<u>\$637,026</u>	<u>\$11,863</u>	<u>(5,022,305)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					2,533,515
Property Taxes Levied for Capital Projects					316,446
Grants and Entitlements not Restricted to Specific Programs					2,922,708
Gifts and Donations					22,481
Investment Earnings					51,738
Miscellaneous					8,604
<i>Total General Revenues</i>					<u>5,855,492</u>
Change in Net Assets					833,187
<i>Net Assets Beginning of Year</i>					<u>1,690,840</u>
<i>Net Assets End of Year</i>					<u><u>\$2,524,027</u></u>

See accompanying notes to the basic financial statements



**Shadyside Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,235,291	\$525,681	\$42,133	\$1,803,105
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	7,997	0	0	7,997
Receivables:				
Property Taxes	2,667,630	333,209	0	3,000,839
Intergovernmental	54,222	0	76,733	130,955
Interfund	116,311	0	0	116,311
Prepaid Items	25,842	0	0	25,842
Materials and Supplies Inventory	1,338	0	992	2,330
<i>Total Assets</i>	<u>\$4,108,631</u>	<u>\$858,890</u>	<u>\$119,858</u>	<u>\$5,087,379</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$8,793	\$9,987	\$2,844	\$21,624
Accrued Wages and Benefits	463,439	0	55,158	518,597
Interfund Payable	0	0	116,311	116,311
Intergovernmental Payable	160,123	0	9,653	169,776
Matured Severance Payable	138,756	0	0	138,756
Deferred Revenue	2,641,009	323,443	8,318	2,972,770
<i>Total Liabilities</i>	<u>3,412,120</u>	<u>333,430</u>	<u>192,284</u>	<u>3,937,834</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	12,818	9,373	3,799	25,990
Reserved for Property Taxes	80,843	9,766	0	90,609
Reserved for Bus Purchases	7,997	0	0	7,997
Unreserved, Undesignated, Reported in:				
General Fund	594,853	0	0	594,853
Special Revenue Funds	0	0	(76,734)	(76,734)
Debt Service Fund	0	0	500	500
Capital Projects Funds	0	506,321	9	506,330
<i>Total Fund Balances</i>	<u>696,511</u>	<u>525,460</u>	<u>(72,426)</u>	<u>1,149,545</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$4,108,631</u></u>	<u><u>\$858,890</u></u>	<u><u>\$119,858</u></u>	<u><u>\$5,087,379</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008*

**Total Governmental Fund Balances** \$1,149,545

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 1,083,448

Other long-term assets are not available to pay for current period  
expenditures and therefore are deferred in the funds.

Grants	30,036
Tuition and Fees	32,504
Property Taxes	<u>133,212</u>

Total 195,752

An internal service fund is used by management to charge the costs of  
insurance to individual funds. The assets and liabilities of the internal  
service fund are included in governmental activities in the statement of net assets. 667,386

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds:

Compensated Absences	489,803
Energy Conservation Loan	66,694
Capital Leases	<u>15,607</u>

Total (572,104)

*Net Assets of Governmental Activities* \$2,524,027

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,527,509	\$316,448	\$0	\$2,843,957
Intergovernmental	2,951,952	143,050	487,629	3,582,631
Interest	10,752	12,932	15	23,699
Tuition and Fees	824,877	0	0	824,877
Extracurricular Activities	0	0	136,425	136,425
Rent	246	0	0	246
Gifts and Donations	22,481	0	0	22,481
Charges for Services	0	0	74,702	74,702
Miscellaneous	8,604	0	0	8,604
<i>Total Revenues</i>	<u>6,346,421</u>	<u>472,430</u>	<u>698,771</u>	<u>7,517,622</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,216,781	57,017	143,345	3,417,143
Special	442,997	0	282,511	725,508
Vocational	17,112	0	0	17,112
Support Services:				
Pupil	236,296	0	6,863	243,159
Instructional Staff	123,441	0	12,270	135,711
Board of Education	19,629	0	0	19,629
Administration	620,628	4,730	43,262	668,620
Fiscal	248,349	8,037	5,000	261,386
Operation and Maintenance of Plant	597,531	157,618	0	755,149
Pupil Transportation	170,459	4,105	0	174,564
Operation of Non-Instructional Services	0	0	500	500
Food Service Operations	0	0	148,996	148,996
Extracurricular Activities	75,485	0	105,463	180,948
Capital Outlay	0	2,518	0	2,518
Debt Service:				
Principal Retirement	0	28,866	9,171	38,037
Interest and Fiscal Charges	0	3,306	4,011	7,317
<i>Total Expenditures</i>	<u>5,768,708</u>	<u>266,197</u>	<u>761,392</u>	<u>6,796,297</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>577,713</u>	<u>206,233</u>	<u>(62,621)</u>	<u>721,325</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	34,521	34,521
Transfers Out	(34,521)	0	0	(34,521)
Total Other Financing Sources (Uses)	<u>(34,521)</u>	<u>0</u>	<u>34,521</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	543,192	206,233	(28,100)	721,325
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>153,319</u>	<u>319,227</u>	<u>(44,326)</u>	<u>428,220</u>
<i>Fund Balances End of Year</i>	<u>\$696,511</u>	<u>\$525,460</u>	<u>(\$72,426)</u>	<u>\$1,149,545</u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances - Total Governmental Funds** \$721,325

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	26,954	
Depreciation	(163,162)	
Total	(136,208)	(136,208)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Tuition and Fees	183	
Grants	(11,034)	
Property Taxes	6,004	
Total	(4,847)	(4,847)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Energy Conservation Loans	9,171	
Capital Leases	28,866	
Total	38,037	38,037

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences Payable		(20,652)
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The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.

235,532

*Changes in Net Assets of Governmental Activities*

\$833,187

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,580,000	\$2,580,000	\$2,583,848	\$3,848
Intergovernmental	2,507,960	2,861,320	2,951,952	90,632
Interest	12,557	12,557	10,761	(1,796)
Tuition and Fees	867,060	885,074	824,877	(60,197)
Rent	473	473	246	(227)
Gifts and Donations	22,031	22,031	22,481	450
Miscellaneous	16,272	16,272	7,460	(8,812)
<i>Total Revenues</i>	<u>6,006,353</u>	<u>6,377,727</u>	<u>6,401,625</u>	<u>23,898</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,443,773	3,483,338	3,220,176	263,162
Special	388,964	399,364	416,021	(16,657)
Vocational	25,587	35,829	26,696	9,133
Support Services:				
Pupil	287,606	282,606	239,145	43,461
Instructional Staff	140,689	140,689	127,166	13,523
Board of Education	29,570	27,369	19,084	8,285
Administration	543,438	569,760	611,033	(41,273)
Fiscal	242,021	266,519	257,341	9,178
Operation and Maintenance of Plant	570,423	581,851	580,577	1,274
Pupil Transportation	253,322	250,822	178,525	72,297
Extracurricular Activities	68,811	68,811	78,449	(9,638)
<i>Total Expenditures</i>	<u>5,994,204</u>	<u>6,106,958</u>	<u>5,754,213</u>	<u>352,745</u>
Excess of Revenues Over Expenditures	<u>12,149</u>	<u>270,769</u>	<u>647,412</u>	<u>376,643</u>
<b>Other Financing Uses</b>				
Transfers Out	(24,070)	(24,070)	(34,521)	(10,451)
Advances Out	(25,000)	(25,000)	(37,566)	(12,566)
Total Other Financing Uses	<u>(49,070)</u>	<u>(49,070)</u>	<u>(72,087)</u>	<u>(23,017)</u>
<i>Net Change in Fund Balance</i>	(36,921)	221,699	575,325	353,626
<i>Fund Balance Beginning of Year</i>	605,620	605,620	605,620	0
Prior Year Encumbrances Appropriated	48,117	48,117	48,117	0
<i>Fund Balance End of Year</i>	<u>\$616,816</u>	<u>\$875,436</u>	<u>\$1,229,062</u>	<u>\$353,626</u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2008*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$714,895
<b>Current Liabilities</b>	
Claims Payable	<u>47,509</u>
<b>Net Assets</b>	
Unrestricted	<u>667,386</u>
<i>Total Net Assets</i>	<u><u>\$667,386</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$1,020,400
Other	13,833
<i>Total Operating Revenues</i>	1,034,233
<b>Operating Expenses</b>	
Purchased Services	140,058
Claims	686,682
<i>Total Operating Expenses</i>	826,740
<i>Operating Income</i>	207,493
<b>Non-Operating Revenues</b>	
Interest	28,039
<i>Change in Net Assets</i>	235,532
<i>Net Assets Beginning of Year</i>	431,854
<i>Net Assets End of Year</i>	\$667,386

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2008

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,020,400
Cash Payments for Goods and Services	(140,058)
Cash Payments for Claims	(669,288)
Cash Received from Other Operating Revenue	13,833
<i>Net Cash Provided by Operating Activities</i>	224,887
<b>Cash Flows from Investing Activities</b>	
Interest	28,039
<i>Net Cash Provided by Investing Activities</i>	28,039
<i>Net Increase in Cash and Cash Equivalents</i>	252,926
<i>Cash and Cash Equivalents Beginning of Year</i>	461,969
<i>Cash and Cash Equivalents End of Year</i>	\$714,895
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$207,493
Increase in Liabilities:	
Claims Payable	17,394
<i>Net Cash Provided by Operating Activities</i>	\$224,887

See accompanying notes to the basic financial statements



**Shadyside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2008*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,973</u>
<i>Total Assets</i>	<u><u>\$34,973</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$34,973</u>
<i>Total Liabilities</i>	<u><u>\$34,973</u></u>

See accompanying notes to the basic financial statements

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**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

The Shadyside Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

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 on the building and \$500 on the contents.

The School District is located in Belmont County. The Board controls the School District’s four instructional/support facilities staff by 19 non-certificated employees, 54 certificated teaching personnel, and 6 administrators who provide services to 853 students and other community members.

On April 12, 2004, the School District was declared to be in a state of “Fiscal Caution” by the Ohio Department of Education. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education to avoid a potential deficit in fiscal years 2004 and 2005. The proposal was submitted by the School District on July 1, 2004 and accepted by the Ohio Department of Education on July 7, 2004. The School District submitted an additional proposal on January 21, 2005 and was accepted by the Ohio Department of Education on January 31, 2005 to avoid a potential deficit in fiscal year 2006. See Note 21 for further details.

*Reporting Entity:*

A 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 the 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 governmental units meet the criteria for inclusion as a component unit.

The School District is involved with the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), the East Central Ohio Special Education Regional Resource Center (ECOSERRC), and the Educational Regional Service System Region 12 (ERSS), which are defined as jointly governed organizations, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan, which are defined as insurance purchasing pools, and the Ohio-Mid Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a risk sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

The financial statements of the Shadyside Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government activities and proprietary fund 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**

The School District's general purpose financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**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.

**Permanent Improvement Fund** - The Permanent Improvement Fund is used to account for a permanent improvement levy used to finance various capital projects in the School District.

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

**Internal Service Fund** The Internal Service Fund accounts 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. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug, and dental claims.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** 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 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 7). Revenue from grants 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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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.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.” The School District utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as “cash and cash equivalents with fiscal agents”.

During fiscal year 2008, investments were limited to STAROhio.

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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$10,752, which includes \$5,181, assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for the purchase of buses.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**I. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition 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 thousand-five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.



**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and loans are recognized as a liability on the governmental fund financial statements when due.

**M. Interfund Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**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 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, property taxes, and 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 bus purchases is for state funds required to be utilized for the purchase of school buses.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include local resources to be used for student programs. The government-wide statement of net assets reports \$579,428 of restricted net assets. Of the restricted net assets, none has resulted from enabling legislation.

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

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**R. Estimates**

The preparation of 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 may differ from those estimates.

**S. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$6,835, and \$13,687 respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**NOTE 4 – FUND DEFICIT**

At June 30, 2008, the following funds had deficit fund balances:

<u>Special Revenue Funds</u>	<u>Deficit Fund Balance</u>
Food Service	\$90,222
Miscellaneous State Grants	5,112
Miscellaneous Federal Grants	8,318

The deficit in the Food Service Special Revenue Fund is due to cash advances and accrued liabilities, as well as a failure to adequately fund this program. This cash advance is reported as a payable to the General Fund. In order to alleviate this deficit, the School District has cut staff hours, raised the cost of student lunches and eliminated the breakfast program.

The deficits in the Miscellaneous State and Federal Grants 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.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

	<u>General</u>
GAAP Basis	\$543,192
Revenue Accruals	55,204
Advances Out	(37,566)
Expenditure Accruals	28,721
Encumbrances	<u>(14,226)</u>
Budget Basis	<u><u>\$575,325</u></u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2008, the School District's Internal Service Fund had a balance of \$714,895 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (see Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures 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, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,731,751 of the School District's bank balance of \$1,837,337 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no policy for custodial risk for deposits beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had an investment in STAROhio. The fair value of the investments in STAROhio was \$133,192, and the investment has an average maturity of 53.80 days.

**Interest Rate Risk.** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk.** STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero percent for 2009. Reimbursements for at least a portion of this tax loss will be made to the School District by the State Department of Education until 2012. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$80,843 in the General Fund and \$9,766 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2007, was \$137,182 in the General Fund and \$16,187 in the Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$75,432,460	77.4%	\$75,787,680	77.9%
Public Utility Personal	19,928,780	20.4%	20,488,790	21.0%
Tangible Personal	2,118,250	2.2%	1,058,105	1.1%
	<u>\$97,479,490</u>	<u>100.0%</u>	<u>\$97,334,575</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$42.95		\$42.95	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, interfund, 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 year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as receivable in the amount of \$133,212 may not be collected within one year. All other receivables are expected to be collected within one year.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
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The intergovernmental receivable is as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Excess Costs	\$32,504
Community Alternative Funding System	21,718
Idea Part B	61,170
Title I	9,884
Title IIA	5,679
	<u>\$130,955</u>

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u>		<u>Balance</u>
	6/30/07	Additions	6/30/08
<b>Nondepreciable Capital Assets:</b>			
Land	\$42,289	\$0	\$42,289
Construction in Progress	41,145	0	0
<b>Total Nondepreciable Capital Assets</b>	<u>83,434</u>	<u>0</u>	<u>42,289</u>
<b>Depreciable Capital Assets:</b>			
Land Improvements	824,418	0	824,418
Buildings and Improvements	3,314,913	41,145	3,315,046
Furniture and Equipment	1,544,341	26,954	1,571,295
Vehicles	399,220	0	372,697
<b>Total Depreciable Capital Assets</b>	<u>6,082,892</u>	<u>68,099</u>	<u>6,083,456</u>
<b>Accumulated Depreciation:</b>			
Land Improvements	(560,823)	(35,468)	(596,291)
Buildings and Improvements	(2,675,662)	(35,445)	(2,670,095)
Furniture and Equipment	(1,354,911)	(82,096)	(1,437,007)
Vehicles	(355,274)	(10,153)	(338,904)
<b>Total Accumulated Depreciation</b>	<u>(4,946,670)</u>	<u>(163,162)</u>	<u>(5,042,297)</u>
<b>Total Depreciable Capital Assets, Net</b>	<u>1,136,222</u>	<u>(95,063)</u>	<u>1,041,159</u>
<b>Governmental Capital Assets, Net</b>	<u>\$1,219,656</u>	<u>(\$95,063)</u>	<u>\$1,083,448</u>



**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$87,059
Special	4,674
Support Services:	
Instructional Staff	886
Board of Education	85
Administration	9,784
Fiscal	910
Operation of Maintenance and Plant	7,643
Pupil Transportation	10,091
Extracurricular	38,827
Food Service Operations	3,203
Total Depreciation Expense	<u>\$163,162</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 18). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The liability policy has a liability per occurrence limit ranging from \$10,000 to \$1,000,000 and a \$3,000,000 aggregate annual limit. The property policy is a replacement cost policy with a total coverage of \$23,347,659. The fleet policy has a liability per occurrence of \$2,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of eighty-four members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$450.51 for individual coverage per month and \$1,075.40 for family coverage per month which represents 90 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug premiums are \$328.97 per month, 90 percent paid by the Board, and requires a \$5 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$80.27 per month for family and single coverage and are 90 percent covered by the Board.

The claims liability of \$47,509 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2007	\$22,640	\$661,544	\$654,069	\$30,115
2008	30,115	686,682	669,288	47,509

***Workers' Compensation***

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to school districts that can meet the GRP's 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 Employee Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$51,590, \$53,251, and \$50,408 respectively; 36.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
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**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$377,035, \$401,149, and \$369,733 respectively; 81.08 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$38 made by the School District and \$3,936 made by the plan members.

**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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$23,542, \$17,679, and \$17,591 respectively; 36.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,717, \$3,621, and \$4,012 respectively; 36.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

**Shadyside Local School District**  
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*For the Fiscal Year Ended June 30, 2008*

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For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$28,687, \$28,449, and \$25,901 respectively; 81.08 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who work more than 260 days earn five to twenty-five 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 and administrators who work less than 260 days do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for certified employees and 250 days for classified employees.

For certified employees, 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 unused sick leave at 32 years; 27 percent of accumulated sick leave at 33 years; 26 percent of accumulated sick leave at 34 years; and 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, (formula as stated above)

For classified employees, payment is made for the first 75 days of accumulated leave at the regular rate of pay with the remaining balance of days to be paid \$10 per day.

**B. Other Insurance Benefits**

Life insurance is provided in the amount of \$40,000 for all certified teachers. Life insurance is provided in the amount of \$15,000, to classified employees whose salary is less than \$15,000 and \$20,000 to classified employees whose salary is \$15,000 or greater. The aforementioned amounts are reduced by 35% for employees 65 years of age and 50% for employees 70 years of age.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for copying and technology equipment.

The leases meet 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.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$106,587. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation with the book value of \$5,329. Principal payments in fiscal year 2008 totaled \$28,866 in the governmental funds.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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Future minimum lease payments through 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	<u>\$15,607</u>	<u>\$481</u>

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Principal</u>		<u>Principal</u>	<u>Amounts</u>
	<u>Outstanding</u>	<u>Additions</u>	<u>Outstanding</u>	<u>Due In</u>
	<u>6/30/07</u>	<u>Deductions</u>	<u>6/30/08</u>	<u>One Year</u>
Energy Conservation Loan	\$75,865	\$0	\$9,171	\$66,694
Capital Leases	44,473	0	28,866	15,607
Compensated Absences	469,151	60,553	39,901	489,803
	<u>\$589,489</u>	<u>\$60,553</u>	<u>\$77,938</u>	<u>\$572,104</u>
Total General Long-Term Obligations	<u>\$589,489</u>	<u>\$60,553</u>	<u>\$77,938</u>	<u>\$572,104</u>

Capital leases are paid from the Permanent Improvement Capital Projects Fund. Compensated absences will be paid from the General Fund.

During 1999, the 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 interest rate on the notes is 5.36 percent. 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 requirements to retire the energy conservation loan outstanding at June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30, 2008</u>			
2009	\$9,685	\$3,497	\$13,182
2010	10,219	2,963	13,182
2011	10,781	2,401	13,182
2012	11,371	1,811	13,182
2013	12,002	1,180	13,182
2014	<u>12,636</u>	<u>519</u>	<u>13,155</u>
Total	<u>\$66,694</u>	<u>\$12,371</u>	<u>\$79,065</u>

The School District's overall legal debt margin was \$8,570,252, with an unvoted debt margin of \$95,966 at June 30, 2008.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 16 - INTERNAL BALANCES AND TRANSFERS**

Interfund balances at June 30, 2008 consisted of the following individual interfund receivables and payables:

	Interfund Receivable
	General Fund
<u>Interfund Payable</u>	
Other Nonmajor Governmental	\$116,311

The loan of \$74,690 to the Food Service Special Revenue Fund was made to support the cafeteria program. The School District has increased lunch prices, reduced staff and eliminated the breakfast program to increase revenue for the food service program. The loan of \$4,055 to the Athletic Special Revenue Fund was made to support the athletic program. The loan of \$37,566 to the Miscellaneous Federal Grant Fund was made to support the programs until federal grant monies are received.

Interfund transfers for the year ended June 30, 2008 consisted of the following:

	Transfers to
	Other Non-major Governmental
<u>Transfers from</u>	
General Fund	\$34,521

The transfers were used to move receipts from the General Fund to the Debt Service Fund for repayment of the energy conservation loan as debt service payments come due, to the Miscellaneous Local Fund for the local share of State programs, and to the Food Service Fund for an operating subsidy to cover a negative balance.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*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 seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2008, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid-Eastern Regional Educational Service Agency* – The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates 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. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2008, the total amount paid to OME-RESA from the School District was \$24,675 for cooperative gas purchasing services and \$44,044 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

*East Central Ohio Special Education Regional Resource Center (ECOSERRC)* – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. As of July 1, 2008 ECOSERRC ceased operations.

*Educational Regional Service System Region 12 (ERSS)* – The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 Seventh Street, Zanesville, Ohio 43701.



**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

*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.

*Ohio School Plan* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hayre Insurance Agency and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hayre Insurance Agency is the sales and marketing representative, which establishes agreements between OSP and member schools.

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**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 year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve.

During fiscal year 2004, the Board of Education passed a resolution to expend all of the previously reserved amounts for the budget reserve pursuant to State statute.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether for School Districts that are declared to be in Fiscal Watch or Fiscal Caution, provided that the School Districts apply and receive approval from the Ohio Department of Education. The Shadyside Local School District remained in Fiscal Caution during fiscal year 2008, but did not request a waiver of the set-aside requirement for fiscal year 2008.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0
Current Year Set-aside Requirement	117,309	117,309
Current Year Offsets	(62,970)	(260,386)
Qualifying Disbursements	(75,614)	0
Totals	(\$21,275)	(\$143,077)
Carry Forward at June 30, 2007	(12,558)	0
Set-aside Balance Carried Forward to Future Fiscal Years	(\$33,833)	\$0
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0

The School District had qualifying disbursements and offsets from prior years as well as during the current fiscal year that reduced the set-aside amount to below zero for the textbook set-aside which may be carried forward to offset future year's set-aside requirements. The School District also had current year offsets which reduced the set-aside amount to below zero for the capital maintenance set-aside, which may not be carried forward to future years.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 20 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2008.

**B. Litigation**

The School District has been awarded a judgment in a criminal case in the United States District Court, Northern District of Ohio. The case is United States of America V. Kenneth J. Schulte. The judgment award was for three offenses: 1) wire fraud, aiding and abetting, 2) frauds and swindles, aiding and abetting, and 3) manipulative and deceptive devices. The School District's portion of the award is in the amount of \$140,000, with a total judgment award to all parties of \$7,241,759.30. The restitution to the parties is to equal, not less than, ten percent of defendant's gross monthly income while under supervision. During fiscal year 2008 the School District received no payment toward the total judgment.

The School District is currently not party to any other legal proceeding.

**NOTE 21 – FISCAL CAUTION**

The School District was placed in Fiscal Caution on April 12, 2004 by the Ohio Department of Education. The School District submitted a proposal to the Ohio Department of Education on July 1, 2004 to avoid a potential deficit in fiscal year 2004, 2005, and 2006. The Ohio Department of Education accepted the proposal on July 7, 2004.

The School District submitted an additional proposal on January 21, 2005 and was accepted by the Ohio Department of Education on January 31, 2005 to avoid a potential deficit in fiscal year 2006.

The School District implemented an expenditure reduction plan during fiscal year 2006 which included a reduction in force. In addition, the School District petitioned the Belmont County Court of Common Pleas, and was approved to transfer \$150,000 during fiscal year 2006 from the permanent improvement levy fund to the general fund operations. The School District signed a memorandum of understanding on May 27, 2004 to freeze salaries for fiscal year 2005 and fiscal year 2006 for teachers and administrators.

On May 2, 2006, the School District passed an additional General Emergency three-year 6 mill levy. The collections for this levy began in calendar year 2007.

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance in fiscal years 2012 through 2013, and deficit unreserved fund balance in fiscal years 2012 and 2013 of the projection. The Board has not currently adopted any plan to address the projected deficits.

**Shadyside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 22 – SUBSEQUENT EVENT**

The School District has been awarded a Carol M. White Physical Education Program Federal Grant, CFDA # 84.215F in the amount of \$770,072 that will be received over a three year period beginning in fiscal year 2009. The School District has a local match of \$77,771. As of the date of the financial statements, \$200,000 has been received.

At the January 13, 2009 School District Board meeting, the Board of Education passed a Resolution making all previous advances from the General Fund to the Food Service Fund permanent transfers.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 26, 2009, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education. Also, we noted the Board of Education passed a resolution on January 13, 2009 making all previous advances from the General Fund to the Food Service Fund permanent transfers. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: Finding 2008-001.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted a certain internal control matter that we reported to the School District's management in a separate letter dated January 26, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated January 26, 2009.

We intend this report solely for the information and use of the audit committee, management and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 26, 2009

**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Significant Deficiency – General Fund loans to Food Service Fund**

Auditor of State Bulletin 97-003 outlines that inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. The resolution must include: (1) A specific statement that the transaction is an advance of cash, and (2) an indication of the money (fund) from which it is expected that repayment will be made.

Over the past six years, the School District's General Fund has been subsidizing the food service operations by the School Board approving an advance from the General Fund to the Food Service Fund. The cumulative amount over the six year period was \$74,690. The Food Service Fund has not paid any of these advances back to the General Fund. The following schedule shows the advances from the General Fund to the Food Service Fund for the past 6 years.

<u>Fiscal Year</u>	<u>Advance</u>
2003	\$16,709
2004	25,045
2005	17,119
2006	8,419
2007	7,398
2008	0
Total	<u>\$74,690</u>

The Food Service Fund has been operating at a deficit level over the six year period even though the School District has raised lunch prices. Clearly the Food Service Fund does not show the ability to repay the advances from the General Fund in the foreseeable future.

We recommend the Board of Education consider adopting a payment schedule or making the advances a permanent transfer from the General Fund. This would help alleviate the audit opinion possibly being qualified in the future. On January 13, 2009, the School District board passed a Resolution making the advances from the General Fund to Food Service Fund permanent transfers.

**Official's Response:**

See the Corrective Action Plan.

**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-001	The School District Board will pass a Resolution making the advances from the General Fund to the Food Service fund permanent transfers.	January 31, 2009	Melissa Visnic, Treasurer



SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <b><i>Explain:</i></b>
2007-001	General Fund advances to the Food Service Fund not repaid.	No	Not Corrected. Reissued as Finding 2008-001 in the GAGAS letter.





**Mary Taylor, CPA**  
Auditor of State

**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 24, 2009**