



Dave Yost • Auditor of State

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fund Net Assets – Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	21
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule	50
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	53
Schedule of Findings - OMB Circular A-133 § .505	55
Independent Accountants' Report on Applying Agreed-Upon Procedure	57

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Dave Yost • 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, 2011, 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, 2011, 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 basic 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 19 to the financial statements describes management's plans to address the projected General Fund deficit.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 31, 2012

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$2,146,393 due primarily to increases in cash and cash equivalents, intergovernmental receivables, capital assets and revenue in lieu of taxes receivable which were slightly offset by decreases in property taxes receivable and deferred revenue associated with property taxes.
- General revenues accounted for \$6,483,398 in revenue or 69 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,891,317 or 31 percent of total revenues of \$9,374,715.
- Total assets of governmental activities increased \$1,719,417 primarily due to an increase cash and cash equivalents, revenue in lieu of taxes receivable as well as capital asset additions which were offset slightly by annual depreciation and a decrease in property taxes receivable.
- The School District had \$7,228,322 in expenses related to governmental activities; only \$2,891,317 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues of \$6,483,398 were adequate to provide for these programs.
- Total governmental funds had \$7,773,976 in revenues and \$7,621,628 in expenditures. The net change in governmental fund balances, including sale of assets and transfers was an increase of \$152,950.

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 at 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, 2011
Unaudited

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 2011?" 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, 2011
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 2011 compared to 2010.

Table 1
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$8,518,972	\$6,907,217	\$1,611,755
Capital Assets	1,404,272	1,296,610	107,662
Total Assets	9,923,244	8,203,827	1,719,417
Liabilities			
Long-Term Liabilities	603,708	603,391	317
Other Liabilities	3,076,738	3,504,031	(427,293)
Total Liabilities	3,680,446	4,107,422	(426,976)
Net Assets			
Invested in Capital Assets	1,368,265	1,249,822	118,443
Restricted	1,429,055	868,706	560,349
Unrestricted	3,445,478	1,977,877	1,467,601
Total Net Assets	\$6,242,798	\$4,096,405	\$2,146,393

Total assets of governmental activities increased \$1,719,417 primarily due to increases in cash and cash equivalents, intergovernmental receivables related to the Education Jobs grant that the School District was awarded in fiscal year 2011, as well as an increase in revenue in lieu of taxes receivable as a result of an agreement between the School District and FirstEnergy Generation Corp, which was offset by a decrease in property taxes receivable.

Total liabilities decreased \$426,976 due primarily to a decrease in deferred revenue related to property taxes and intergovernmental receivables as well as a decrease in claims payable.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2011.

Table 2			
Changes in Net Assets			
Governmental Activities			
	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services	\$1,435,922	\$1,355,188	\$80,734
Operating Grants and Contributions	1,455,395	1,480,006	(24,611)
Capital Grants and Contributions	0	17,859	(17,859)
Total Program Revenues	2,891,317	2,853,053	38,264
General Revenues			
Property Taxes	2,376,600	2,667,484	(290,884)
Grants and Entitlements not Restricted to Specific Programs	2,665,867	2,607,860	58,007
Revenue in Lieu of Taxes	1,390,937	0	1,390,937
Others	49,994	41,040	8,954
Total General Revenues	6,483,398	5,316,384	1,167,014
Total Revenues	9,374,715	8,169,437	1,205,278
Program Expenses			
Instruction			
Regular	3,813,659	3,919,061	(105,402)
Special	777,891	695,775	82,116
Vocational	21,703	25,532	(3,829)
Student Intervention Services	0	15,062	(15,062)
Support Services			
Pupils	214,341	246,607	(32,266)
Instructional Staff	140,979	167,676	(26,697)
Board of Education	21,087	37,374	(16,287)
Administration	656,533	635,337	21,196
Fiscal	281,170	299,902	(18,732)
Operation and Maintenance of Plant	746,961	687,766	59,195
Pupil Transportation	171,914	240,091	(68,177)
Food Service Operations	132,453	156,010	(23,557)
Extracurricular Activities	247,230	262,957	(15,727)
Interest and Fiscal Charges	2,401	2,963	(562)
Total Expenses	7,228,322	7,392,113	(163,791)
Increase in Net Assets	2,146,393	777,324	1,369,069
Net Assets Beginning of Year	4,096,405	3,319,081	777,324
Net Assets End of Year	\$6,242,798	\$4,096,405	\$2,146,393

In 2011 program revenues increased due primarily to an increase in charges for services related to extracurricular activities, which was offset slightly by decreases in operating grants due to decreased program specific state funding and federal funding as well as the School District receiving no capital grants or donations during fiscal year 2011.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Program revenues accounted for 31 percent of the School District's revenues in fiscal year 2011. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

The School District has Revenue in Lieu of Taxes related to a contractual agreement the School District entered into with FirstEnergy Generation Corp. FirstEnergy ceased operations within the School District's taxing authority, and has contractually agreed to payments in order to mitigate the loss of tax revenue. See Note 7 for further details.

Instructional programs comprise approximately 64 percent of total governmental program expenses. Of the instructional expenses, approximately 83 percent is for regular instruction, 16 percent for special instruction, and less than 1 percent for vocational instruction. Overall expenses reflect a decrease of \$163,791 as the School District continues to monitor spending.

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 2010 and 2011. 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction				
Regular	\$3,813,659	\$3,919,061	\$1,884,169	\$2,213,137
Special	777,891	695,775	385,230	46,487
Vocational	21,703	25,532	(3,184)	831
Student Intervention Services	0	15,062	0	180
Support Services				
Pupils	214,341	246,607	214,341	244,375
Instructional Staff	140,979	167,676	120,397	134,182
Board of Education	21,087	37,374	21,087	37,374
Administration	656,533	635,337	652,628	619,420
Fiscal	281,170	299,902	272,444	291,422
Operation and Maintenance of Plant	746,961	687,766	616,740	618,029
Pupil Transportation	171,914	240,091	137,789	225,576
Food Service Operations	132,453	156,010	(21,067)	(3,521)
Extracurricular Activities	247,230	262,957	54,030	108,605
Interest and Fiscal Charges	2,401	2,963	2,401	2,963
<i>Total Expenses</i>	<u><u>\$7,228,322</u></u>	<u><u>\$7,392,113</u></u>	<u><u>\$4,337,005</u></u>	<u><u>\$4,539,060</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 60 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, 2011
Unaudited

The School District Funds

Information about the School District's major funds starts on page 13. The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,003,290 in revenues and \$6,103,093 in expenditures, and the Permanent Improvement Fund had \$472,244 in revenues and \$240,825 in expenditures. Overall, including sale of capital assets and transfers, the General Fund's balance decreased \$112,633, and the Permanent Improvement Fund's balance increased \$231,419.

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 2011 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected decreases in tax and intergovernmental revenue as well as increases in instructional expenditures. The actual results of operations were different than budgeted amounts as less intergovernmental revenue was realized, spending in all categories was lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011 the School District had \$1,404,272 invested in land, land improvements, buildings and improvements, furniture, equipment and software, and vehicles.

See note 8 for more detailed information of the School District's capital assets.

Debt

At June 30, 2011, the School District had \$36,007 in energy conservation notes outstanding. See Note 13 for more information regarding debt.

Economic Factors

The Shadyside Local School District began experiencing financial difficulty in 2004. The School District relies heavily on state funds and our local taxpayers. Shadyside Local 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.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District passed a 3 year, 6 mill emergency levy in May 2006. This levy raised an additional \$519,472, with collections beginning in calendar year 2007, and ending with calendar year 2009 collections, as the levy was not renewed by taxpayers. The School District also implemented additional cost saving measures that enabled the School District to end fiscal year 2011 with a positive General Fund unencumbered cash basis balance.

The School District also approved an additional expenditure reduction plan that became effective in fiscal year 2011.

Another significant loss to the School District was the closing of the FirstEnergy R. E. Burger Power Plant. When the full impact of the loss hits the School District, the School District will lose \$847,661.27 in tax revenue. In an attempt to mitigate the loss, Belmont County and the School District entered into a personal property tax agreement with FirstEnergy. The agreement calls for FirstEnergy to make five annual decreasing payments based on a percentage of its established annual personal property tax beginning in 2012. See Note 7 for further details.

The School District will continue to monitor and reduce costs due to the reduction of revenue from the State and the loss of the Emergency Levy.

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, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,989,668
Intergovernmental Receivable	299,915
Property Taxes Receivable	2,410,495
Prepaid Items	34,256
Materials and Supplies Inventory	2,880
Cash and Cash Equivalents with Fiscal Agents	1,390,821
Revenue in Lieu of Taxes Receivable	1,390,937
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	<u>1,361,983</u>
<i>Total Assets</i>	<u>9,923,244</u>
Liabilities	
Accounts Payable	45,906
Accrued Wages and Benefits Payable	554,688
Intergovernmental Payable	159,497
Matured Severance Payable	95,074
Claims Payable	79,454
Deferred Revenue	2,142,119
Long-Term Liabilities:	
Due Within One Year	48,749
Due In More Than One Year	<u>554,959</u>
<i>Total Liabilities</i>	<u>3,680,446</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,368,265
Restricted for:	
Capital Projects	1,199,536
Debt Service	1,250
Bus Purchase	2,126
Federal Programs	198,015
Other Purposes	28,128
Unrestricted	<u>3,445,478</u>
<i>Total Net Assets</i>	<u><u>\$6,242,798</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$3,813,659	\$1,179,134	\$750,356	(\$1,884,169)
Special	777,891	0	392,661	(385,230)
Vocational	21,703	0	24,887	3,184
Support Services:				
Pupil	214,341	0	0	(214,341)
Instructional Staff	140,979	0	20,582	(120,397)
Board of Education	21,087	0	0	(21,087)
Administration	656,533	0	3,905	(652,628)
Fiscal	281,170	0	8,726	(272,444)
Operation and Maintenance of Plant	746,961	299	129,922	(616,740)
Pupil Transportation	171,914	0	34,125	(137,789)
Operation of Non-Instructional Services:				
Food Service Operations	132,453	63,289	90,231	21,067
Extracurricular Activities	247,230	193,200	0	(54,030)
Interest and Fiscal Charges	2,401	0	0	(2,401)
<i>Total Governmental Activities</i>	<u>\$7,228,322</u>	<u>\$1,435,922</u>	<u>\$1,455,395</u>	<u>(4,337,005)</u>
General Revenues				
Property Taxes Levied for General Purposes				2,060,715
Property Taxes Levied for Capital Projects				315,885
Revenue in Lieu of Taxes for General Purposes				1,221,540
Revenue in Lieu of Taxes for Capital Projects				169,397
Grants and Entitlements not Restricted to Specific Programs				2,665,867
Gifts and Donations				5,643
Investment Earnings				31,687
Miscellaneous				12,664
<i>Total General Revenues</i>				<u>6,483,398</u>
Change in Net Assets				2,146,393
<i>Net Assets Beginning of Year</i>				<u>4,096,405</u>
<i>Net Assets End of Year</i>				<u>\$6,242,798</u>

See accompanying notes to the basic financial statements

Shadyside Local School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,915,289	\$1,011,095	\$61,158	\$2,987,542
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,126	0	0	2,126
Receivables:				
Property Taxes	2,089,420	321,075	0	2,410,495
Intergovernmental	74,118	0	225,797	299,915
Revenue in Lieu of Taxes	1,221,540	169,397	0	1,390,937
Interfund	1,465	0	0	1,465
Prepaid Items	25,140	0	9,116	34,256
Materials and Supplies Inventory	1,338	0	1,542	2,880
<i>Total Assets</i>	<u>\$5,330,436</u>	<u>\$1,501,567</u>	<u>\$297,613</u>	<u>\$7,129,616</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$12,831	\$17,279	\$15,796	\$45,906
Accrued Wages and Benefits	516,757	0	37,931	554,688
Interfund Payable	0	0	1,465	1,465
Intergovernmental Payable	147,154	0	12,343	159,497
Matured Severance Payable	95,074	0	0	95,074
Deferred Revenue	3,299,278	477,354	199,476	3,976,108
<i>Total Liabilities</i>	<u>4,071,094</u>	<u>494,633</u>	<u>267,011</u>	<u>4,832,738</u>
Fund Balances (Deficit)				
Nonspendable:				
Materials and Supplies Inventory	1,338	0	1,542	2,880
Prepaid Items	25,140	0	9,116	34,256
Restricted for:				
Capital Projects	0	1,006,934	9	1,006,943
Debt Service	0	0	1,250	1,250
Food Service Operations	0	0	3,043	3,043
Bus Purchase	2,126	0	0	2,126
Local Programs	0	0	28,128	28,128
Assigned for Future Appropriations	583,036	0	0	583,036
Unassigned	647,702	0	(12,486)	635,216
<i>Total Fund Balances</i>	<u>1,259,342</u>	<u>1,006,934</u>	<u>30,602</u>	<u>2,296,878</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,330,436</u>	<u>\$1,501,567</u>	<u>\$297,613</u>	<u>\$7,129,616</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, 2011*

Total Governmental Fund Balances		\$2,296,878
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,404,272
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Grants	199,476	
Tuition and Fees	74,118	
Property Taxes	169,458	
Revenue in Lieu of Taxes	<u>1,390,937</u>	
Total		1,833,989
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.		1,311,367
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	567,701	
Energy Conservation Notes	<u>36,007</u>	
Total		<u>(603,708)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$6,242,798</u></u>

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, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,056,667	\$315,188	\$0	\$2,371,855
Intergovernmental	2,690,754	156,709	1,111,759	3,959,222
Interest	3,023	347	0	3,370
Tuition and Fees	1,161,297	0	0	1,161,297
Extracurricular Activities	70,314	0	122,886	193,200
Rent	299	0	0	299
Gifts and Donations	5,143	0	500	5,643
Charges for Services	3,739	0	63,289	67,028
Miscellaneous	12,054	0	8	12,062
<i>Total Revenues</i>	<u>6,003,290</u>	<u>472,244</u>	<u>1,298,442</u>	<u>7,773,976</u>
Expenditures				
Current:				
Instruction:				
Regular	3,422,751	55,998	539,207	4,017,956
Special	419,227	0	381,975	801,202
Vocational	21,703	0	0	21,703
Support Services:				
Pupil	211,536	0	0	211,536
Instructional Staff	124,047	0	25,774	149,821
Board of Education	21,087	0	0	21,087
Administration	670,995	6,001	0	676,996
Fiscal	273,707	8,573	3,850	286,130
Operation and Maintenance of Plant	630,194	157,099	34,178	821,471
Pupil Transportation	204,597	13,154	31,278	249,029
Food Service Operations	0	0	142,039	142,039
Extracurricular Activities	103,249	0	106,227	209,476
Debt Service:				
Principal Retirement	0	0	10,781	10,781
Interest and Fiscal Charges	0	0	2,401	2,401
<i>Total Expenditures</i>	<u>6,103,093</u>	<u>240,825</u>	<u>1,277,710</u>	<u>7,621,628</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(99,803)</u>	<u>231,419</u>	<u>20,732</u>	<u>152,348</u>
Other Financing Sources (Uses)				
Sale of Assets	602	0	0	602
Transfers In	0	0	13,432	13,432
Transfers Out	(13,432)	0	0	(13,432)
<i>Total Other Financing Sources (Uses)</i>	<u>(12,830)</u>	<u>0</u>	<u>13,432</u>	<u>602</u>
<i>Net Change in Fund Balances</i>	(112,633)	231,419	34,164	152,950
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>1,371,975</u>	<u>775,515</u>	<u>(3,562)</u>	<u>2,143,928</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,259,342</u></u>	<u><u>\$1,006,934</u></u>	<u><u>\$30,602</u></u>	<u><u>\$2,296,878</u></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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$152,950

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 capital outlay exceeds depreciation in the current period.

Purchased Capital Asset Additions	246,897	
Depreciation	(139,235)	
Total	107,662	107,662

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

Tuition and Fees	14,098	
Grants	162,040	
Property Taxes	4,745	
Revenue in Lieu of Taxes	1,390,937	
Total	1,571,820	1,571,820

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		10,781
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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		(11,098)
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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.

314,278

Changes in Net Assets of Governmental Activities

\$2,146,393

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,129,523	\$2,026,819	\$2,077,658	\$50,839
Intergovernmental	2,962,468	2,830,420	2,690,754	(139,666)
Interest	3,000	3,000	3,023	23
Tuition and Fees	1,164,649	1,108,896	1,161,297	52,401
Extracurricular	73,904	70,970	70,314	(656)
Rent	200	200	299	99
Gifts and Donations	5,750	5,750	5,143	(607)
Charges for Services	2,000	2,000	3,739	1,739
Miscellaneous	7,800	7,800	12,054	4,254
<i>Total Revenues</i>	<u>6,349,294</u>	<u>6,055,855</u>	<u>6,024,281</u>	<u>(31,574)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,539,501	3,636,760	3,434,823	201,937
Special	440,249	500,266	406,658	93,608
Vocational	30,584	35,774	30,733	5,041
Support Services:				
Pupil	266,810	237,571	204,950	32,621
Instructional Staff	128,551	128,551	125,885	2,666
Board of Education	39,074	44,969	21,976	22,993
Administration	659,557	675,864	671,717	4,147
Fiscal	281,530	280,614	275,581	5,033
Operation and Maintenance of Plant	634,260	630,127	611,667	18,460
Pupil Transportation	215,163	227,163	206,596	20,567
Extracurricular Activities	101,913	105,913	104,356	1,557
<i>Total Expenditures</i>	<u>6,337,192</u>	<u>6,503,572</u>	<u>6,094,942</u>	<u>408,630</u>
Excess of Revenues Over (Under) Expenditures	<u>12,102</u>	<u>(447,717)</u>	<u>(70,661)</u>	<u>377,056</u>
Other Financing Sources (Uses)				
Sale of Assets	1,500	1,500	602	(898)
Transfers Out	(38,920)	(38,920)	(13,432)	25,488
Advances In	0	0	30,476	30,476
Total Other Financing Sources (Uses)	<u>(37,420)</u>	<u>(37,420)</u>	<u>17,646</u>	<u>55,066</u>
<i>Net Change in Fund Balance</i>	<u>(25,318)</u>	<u>(485,137)</u>	<u>(53,015)</u>	<u>432,122</u>
<i>Fund Balance Beginning of Year</i>	1,919,232	1,919,232	1,919,232	0
Prior Year Encumbrances Appropriated	<u>32,875</u>	<u>32,875</u>	<u>32,875</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,926,789</u></u>	<u><u>\$1,466,970</u></u>	<u><u>\$1,899,092</u></u>	<u><u>\$432,122</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2011

	Governmental Activity
	Internal Service Fund
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$1,390,821
Current Liabilities	
Claims Payable	79,454
Net Assets	
Unrestricted	1,311,367
<i>Total Net Assets</i>	\$1,311,367

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, 2011

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$1,222,044
Other	16,399
<i>Total Operating Revenues</i>	1,238,443
Operating Expenses	
Purchased Services	242,591
Claims	709,891
<i>Total Operating Expenses</i>	952,482
<i>Operating Income</i>	285,961
Non-Operating Revenues	
Interest	28,317
<i>Change in Net Assets</i>	314,278
<i>Net Assets Beginning of Year</i>	997,089
<i>Net Assets End of Year</i>	\$1,311,367

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, 2011

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,222,044
Cash Payments for Goods and Services	(242,591)
Cash Payments for Claims	(919,401)
Cash Received from Other Operating Revenue	151,218
<i>Net Cash Provided by Operating Activities</i>	211,270
Cash Flows from Investing Activities	
Interest	28,317
<i>Net Cash Provided by Investing Activities</i>	28,317
<i>Net Increase in Cash and Cash Equivalents</i>	239,587
<i>Cash and Cash Equivalents Beginning of Year</i>	1,151,234
<i>Cash and Cash Equivalents End of Year</i>	\$1,390,821
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$285,961
Decrease in Liabilities:	
Claims Payable	(74,691)
<i>Net Cash Provided by Operating Activities</i>	\$211,270

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$42,445</u>
<i>Total Assets</i>	<u><u>\$42,445</u></u>
Liabilities	
Due to Students	<u>\$42,445</u>
<i>Total Liabilities</i>	<u><u>\$42,445</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, 2011

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 staffed by 19 non-certificated employees, 53 certificated teaching personnel, and 9 administrators who provide services to 880 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 19 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 Shadyside Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is involved with the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), 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 15 and 16 to the basic financial statements.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 governmental 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 basic 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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, revenue in lieu of 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 6). Revenue from grants, entitlements, payments in lieu of taxes and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, 2011, but which were levied to finance fiscal year 2012 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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 2011, 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, 2011.

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 2011 amounted to \$3,023, which includes \$1,496, 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, 2011, 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, 2011

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

retirements. These amounts are recorded in the account “matured severance payable” in the fund from which the employee will be paid.

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

Transfers within government activities on the government-wide statements are reported in the same manner as general revenue.

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

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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. 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.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles - For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

Restatement of Prior Year's Fund Balance - Due to the implementation of GASB Statement No. 54, fund reclassification occurred for two funds that had previously been reported as special revenue funds and are now being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$1,344,179	\$24,234
Restatement, Fund Classification	27,796	(27,796)
Adjusted Fund Balance, June 30, 2010	\$1,371,975	(\$3,562)

NOTE 4 - 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 Balances - 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 restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$112,633)
Revenue Accruals	20,991
Advances In	30,476
Expenditure Accruals	27,939
Encumbrances	<u>(19,788)</u>
Budget Basis	<u><u>(\$53,015)</u></u>

NOTE 5 – 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.

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;

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if trading 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, 2011, the School District's internal service fund had a balance of \$1,390,821 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 16). 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, \$2,681,076 of the School District's bank balance of \$2,931,076 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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, 2011, the School District had an investment in STAROhio. The fair value of the investments in Star Ohio was \$135,191, and the investment has an average maturity of 58.3 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 6 - 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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after October 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at twenty-five percent of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

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, 2011, are available to finance fiscal year 2011 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, 2011 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, 2011 was \$85,800 in the General Fund and \$13,118 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2010 was \$106,791 in the General Fund and \$17,159 in the Permanent Improvement 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$75,300,100	76.3%	\$75,190,340	78.4%
Public Utility Personal	23,370,510	23.7%	20,725,660	21.6%
	<u>\$98,670,610</u>	<u>100.0%</u>	<u>\$95,916,000</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$36.45		\$36.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, 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 \$169,458 may not be collected within one year. All other receivables are expected to be collected within one year. The intergovernmental receivable is as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Excess Costs	\$74,118
Education Jobs	180,168
Title I	19,308
Early Childhood - Preschool	13,267
Title I (American Recovery and Reinvestment Act)	8,422
Idea Part B (American Recovery and Reinvestment Act)	4,632
	<u>\$299,915</u>

On December 31, 2010 FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the School District. FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the District, entered into a personal property tax agreement with Belmont County and the School District on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of its established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities that would have received tax revenue from FirstEnergy. The agreement calls for five annual payments. The first payment, related to calendar year 2011 collections, is due on February 1, 2012 with the final payment due on February 1, 2016. The total receivable is \$1,390,937, with \$834,562 that will not be collected within one year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Nondepreciable Capital Assets:				
Land	\$42,289	\$0	\$0	\$42,289
Total Nondepreciable Capital Assets	42,289	0	0	42,289
Depreciable Capital Assets:				
Land Improvements	943,490	107,912	0	1,051,402
Buildings and Improvements	3,325,272	41,216	0	3,366,488
Furniture, Equipment and Software	1,773,059	97,769	0	1,870,828
Vehicles	428,526	0	0	428,526
Total Depreciable Capital Assets	6,470,347	246,897	0	6,717,244
Accumulated Depreciation:				
Land Improvements	(630,404)	(47,651)	0	(678,055)
Buildings and Improvements	(2,741,707)	(37,578)	0	(2,779,285)
Furniture, Equipment and Software	(1,516,607)	(47,564)	0	(1,564,171)
Vehicles	(327,308)	(6,442)	0	(333,750)
Total Accumulated Depreciation	(5,216,026)	(139,235)	0	(5,355,261)
Total Depreciable Capital Assets, Net	1,254,321	107,662	0	1,361,983
Governmental Capital Assets, Net	\$1,296,610	\$107,662	\$0	\$1,404,272

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$50,952
Special	12,669
Support Services:	
Instructional Staff	564
Administration	8,297
Fiscal	910
Operation and Maintenance of Plant	11,716
Pupil Transportation	7,599
Food Service Operations	2,394
Extracurricular Activities	44,134
Total Depreciation Expense	\$139,235

NOTE 9 - 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 2011 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 District pays this annual premium to the OSP (See Note 16). The Shadyside Local School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The liability

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

policy has a liability per occurrence limit ranging from \$10,000 to \$3,000,000 and a \$5,000,000 aggregate annual limit. The property policy is a replacement cost policy with a total coverage of \$29,348,122. The fleet policy has a liability per occurrence of \$3,000,000.

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.

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. 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 seventy five 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 \$572.84 for individual coverage per month and \$1,367.41 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 \$358.09 per month, 90 percent paid by the Board, and requires a \$5/\$15 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$84.69 per month for family and single coverage and are 90 percent covered by the Board.

The claims liability of \$79,454 reported in the internal service fund at June 30, 2011 is based on an estimate calculated by averaging the past three fiscal year claims payable amounts 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.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>		<u>Balance at End of Year</u>
2010	\$90,515	\$926,949	\$863,319		\$154,145
2011	154,145	709,891	784,582	(1)	79,454
(1) Cash Payments for Claims			\$919,401		
- Stop Loss Received for 2010 Claims			<u>(134,819)</u>		
Claims Payments			<u>\$784,582</u>		

Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - 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 2011, 11.77 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, 2011, 2010, and 2009 were \$68,595, \$102,767 and \$58,034 respectively; 100 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

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 plan. 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.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, 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 2010, 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, 2011, 2010, and 2009 were \$381,383, \$392,063 and \$391,251 respectively; 82.01 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$15,323 made by the School District and \$10,945 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, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - 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 2011, 1.43 percent of covered payroll was allocated to health care and .04 percent was allocated to death benefits. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, 2010, and 2009 were \$9,674, \$4,033 and 26,559 respectively; 100 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,001, \$6,130 and \$4,788 respectively; 100 percent has been contributed for fiscal year 2011, 58.3 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

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 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. For 2011, 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, 2011, 2010, and 2009 were \$29,337, \$30,159 and \$28,893 respectively; 82.01 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 - 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)

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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. This benefit shall be double in the event of accidental death. 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.

NOTE 13 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding			Principal Outstanding		Amounts Due In
	6/30/10	Additions	Deductions	6/30/11	One Year	
Energy Conservation Notes	\$46,788	\$0	\$10,781	\$36,007	\$11,371	
Compensated Absences	556,603	70,944	59,846	567,701	37,378	
Total General Long-Term Obligations	\$603,391	\$70,944	\$70,627	\$603,708	\$48,749	

Compensated absences will be paid from the General Fund and Food Service Special Revenue 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 notes 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 notes outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$11,371	\$1,811	\$13,182
2013	12,002	1,180	13,182
2014	12,634	519	13,153
Total	\$36,007	\$3,510	\$39,517

The School District's overall legal debt margin was \$8,597,683, with an unvoted debt margin of \$95,916 at June 30, 2011.

NOTE 14 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2011 consisted of the following individual interfund receivables and payables:

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	Interfund Receivable
	General Fund
<u>Interfund Payable</u>	
Other Nonmajor Governmental	\$1,465

The loan made to the Miscellaneous Federal Grant Fund was made to support the programs until federal grant monies are received to operate the program.

Interfund transfers for the year ended June 30, 2011 consisted of the following:

	Transfers to
	Other Non-major
	Governmental
<u>Transfers from</u>	
General Fund	\$13,432

The transfers were used to move receipts from the General Fund to the Debt Service Fund for repayment of the scheduled energy conservation note debt service payments.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District 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 2011, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2011, the total amount paid to OME-RESA from the School District was \$70,275 for cooperative gas purchasing services, \$16,354 for technology services and \$21,759 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 \$325 for fiscal year 2011.

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 N. Seventh Street, Zanesville, Ohio, 43701.

NOTE 16 – 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 Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 seventy-five 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.

NOTE 17 - 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 District's general fund or may be left in the account and used by the board to offset any budget deficit the 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 Districts apply and receive approval from the Ohio Department of Education. The Shadyside Local

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

School District remained in Fiscal Caution during fiscal year 2011, but did not request a waiver of the set-aside requirement for fiscal year 2011.

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

	Textbooks	Capital Improvements
Set-aside Restricted Balance as of June 30, 2010	\$0	\$0
Current Year Set-aside Requirement	164,101	164,101
Excess Qualified Expenditures from Prior Years	(216,119)	0
Current Year Offsets	(16,610)	(302,620)
Current Year Qualifying Expenditures	(58,634)	0
Totals	(\$127,262)	(\$138,519)
Balance Carried Forward to Fiscal Year 2012	\$0	\$0
Set-aside Restricted Balance as of June 30, 2011	\$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. Effective July 1, 2011, House Bill 30, the “Unfunded Mandates Relief Act”, eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

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.

NOTE 18 – 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, 2011.

B. Litigation

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

NOTE 19 – FINANCIAL DIFFICULTIES

The Shadyside Local School District began experiencing financial difficulty in 2004 and, accordingly, was placed in Fiscal Caution on April 12, 2004 and continues to remain in fiscal caution as of the date of the financial statements.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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. The School District passed a 3 year, 6 mill emergency levy in May 2006. This levy raised an additional \$519,472 per year, with collections beginning in calendar year 2007. The Renewal of the Emergency Levy was defeated by the taxpayers, which resulted in the levy ceasing to be collected in calendar year 2010.

The School District approved additional cost-saving measures on June 24, 2010, effective for fiscal year 2011. The plan eliminated four positions within the School District, reduced the high school principal and high school secretary's contracted days from 260 per year to 229 per year, as well as provided for a reduction of the cost of the HVAC maintenance contract.

In a continuing effort to reduce costs, the School District has reduced staff by two employees for fiscal year 2012.

The School District must continue to monitor finances in order to maintain financial stability.

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**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$1,441	\$1,441
Cash Assistance:				
School Breakfast Program	046003-05PU-10	10.553	20,541	20,541
National School Lunch Program	046003-LLP4-10	10.555	66,086	66,086
Total Cash Assistance			<u>86,627</u>	<u>86,627</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster			88,068	88,068
U.S. DEPARTMENT OF EDUCATION				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	046003-C1S1-10	84.010	13,991	16,286
	046003-C1S1-11		87,057	85,161
Total Title I Grants to Local Educational Agencies			<u>101,048</u>	<u>101,447</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	046003-10	84.389	(132)	
	046003-11		34,860	43,282
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>34,728</u>	<u>43,282</u>
Total Title I, Part A Cluster			135,776	144,729
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	046003-6BSF-10	84.027	30,476	
	046003-6BSF-11		166,885	166,885
Total Special Education, Grants to States (IDEA, Part B)			<u>197,361</u>	<u>166,885</u>
ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act	046003-10	84.391	3,995	24,004
	046003-11		91,904	88,652
Total ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act			<u>95,899</u>	<u>112,656</u>
Total Special Education Cluster (IDEA)			293,260	279,541
Education Technology State Grants	046003-TJS1-11	84.318	354	354
Improving Teacher Quality State Grants	046003-TRS1-10	84.367		1,545
	046003-TRS1-11		42,796	42,796
Total Improving Teacher Quality State Grants			<u>42,796</u>	<u>44,341</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	046003-10	84.394	200,925	200,925
Fund for the Improvement of Education:				
Carol M. White Physical Education Program - Direct Program	Q215F080633	84.215F	234,013	234,013
Total U.S. Department of Education			<u>907,124</u>	<u>903,903</u>
Total Federal Awards Receipts and Expenditures			<u>\$995,192</u>	<u>\$991,971</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of this Schedule.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has not met its matching requirement for the Carol M. White Physical Education Program, CFDA #84.215F. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	\$ 132



Dave Yost • 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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted 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, and that the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 31, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 31, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Shadyside Local School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2011-001.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings as item 2011-001. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 31, 2012.

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



Dave Yost
Auditor of State

January 31, 2012

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA) – CFDA #84.027 and #84.391 Funding for the Improvement of Education – Carol M. White Physical Education Program – CFDA #84.215F
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. FINDING FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	Carol M. White Physical Education Program, CFDA # 84.215F
Federal Award Number / Year	2010 / 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	None

Noncompliance and Significant Deficiency

Section 5506 of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, requires that the Federal share of the project costs may not exceed (a) 90 percent of the total cost of a program for the first year for which the program receives assistance; and (b) 75 percent of such cost for the second and each subsequent such year. In addition, in accordance with Section 5507 of the ESEA, funds made available under this program shall be used to supplement, and not supplant, any other Federal, State, or local funds available for physical education activities.

The School District expended \$234,013 in federal grant monies for the Carol M. White Physical Education Program in FY11, the final year of this grant. This resulted in a match requirement of \$78,004. The School District developed a list of administrators the School District indicated spent at least 10% of their time on the grant and calculated 10% of the salaries and employer cost of health insurance benefits for those administrators which amounted to \$56,369. This amount was reported to the United States Department of Education on the School District's final performance report as the School District's matching amount. The amount reported was less than the required match of \$78,004. Further, the School District could provide no documentation to support the administrative personnel included in the School District's match calculation had spent 10% or more of their time on the grant.

We recommend the School District develop and implement internal control procedures to ensure compliance with matching requirements for future grants received by the School District.

Officials' Response and Corrective Action Plan: The Shadyside Local School District will make changes to better document time spent by administrators on projects. We will implement time study sheets if needed to meet requirements in the future. For this matching cost, we also had a new Physical Education teacher that added to our program for students. His total cost was \$35,531.24. The \$56,369 plus the new services of \$35,531.24 will meet the \$78,004 requirement.

Responsible contact person – Melissa Visnic, Treasurer; Anticipated completion date – June 30, 2012



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2012

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Dave Yost • 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 14, 2012