



Mary Taylor, CPA  
Auditor of State



**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

April 14, 2010

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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The discussion and analysis of the Shadyside Local School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- In total, net assets increased \$795,054 due primarily to increased cash and cash equivalents and capital assets.
- General revenues accounted for \$5,638,412 in revenue or 69 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,497,106 or 31 percent of total revenues of \$8,135,518.
- Total assets of governmental activities increased \$517,860 primarily due to an increase cash and cash equivalents, and capital assets additions, net of depreciation expenses, which were offset by a reduction of taxes receivable due to the non-renewal of the emergency levy. See Subsequent Event Note 22 for further details.
- The School District had \$7,340,464 in expenses related to governmental activities; only \$2,497,106 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues of \$5,638,412 were adequate to provide for these programs.
- The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,440,080 in revenues and \$6,026,641 in expenditures, and the Permanent Improvement Fund had \$472,554 in revenues and \$448,021 in expenditures. Overall, including transfers, the General Fund's balance increased \$295,695, and the Permanent Improvement Fund's balance increased \$24,533.

### **Using this Annual Financial Report**

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

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

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" 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, 2009  
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 2009 compared to 2008.

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

	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$5,977,581	\$5,685,963	\$291,618
Capital Assets	1,309,690	1,083,448	226,242
<b>Total Assets</b>	<b>7,287,271</b>	<b>6,769,411</b>	<b>517,860</b>
<b>Liabilities</b>			
Long-Term Liabilities	600,245	572,104	28,141
Other Liabilities	3,367,945	3,673,280	(305,335)
<b>Total Liabilities</b>	<b>3,968,190</b>	<b>4,245,384</b>	<b>(277,194)</b>
<b>Net Assets</b>			
Invested in Capital Assets	1,252,683	1,001,147	251,536
Restricted	630,037	579,428	50,609
Unrestricted	1,436,361	943,452	492,909
<b>Total Net Assets</b>	<b>\$3,319,081</b>	<b>\$2,524,027</b>	<b>\$795,054</b>

Total assets of governmental activities increased \$517,860 primarily due to an increase in cash and cash equivalents, and capital assets additions, net of current depreciation. The increases were offset by a reduction of taxes receivable due to the non-renewal of the emergency levy. See Subsequent Event Note 22 for further details.

Total liabilities decreased \$277,194 due primarily to a decrease in deferred revenue related to taxes. This decrease was offset by increases in accounts payable, accrued wages and benefits, intergovernmental payable, and claims payable.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2009.

<b>Table 2</b>			
<b>Changes in Net Assets</b>			
<b>Governmental Activities</b>			
	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$1,123,998	\$1,036,433	\$87,565
Operating Grants and Contributions	1,357,979	637,026	720,953
Capital Grants and Contributions	15,129	11,863	3,266
<b>Total Program Revenues</b>	<b>2,497,106</b>	<b>1,685,322</b>	<b>811,784</b>
General Revenues			
Property Taxes	2,867,524	2,849,961	17,563
Grants and Entitlements not Restricted to Specific Programs	2,718,248	2,922,708	(204,460)
Others	52,640	82,823	(30,183)
<b>Total General Revenues</b>	<b>5,638,412</b>	<b>5,855,492</b>	<b>(217,080)</b>
<b>Total Revenues</b>	<b>8,135,518</b>	<b>7,540,814</b>	<b>594,704</b>
<b>Program Expenses</b>			
Instruction			
Regular	3,872,862	3,412,841	460,021
Special	767,634	697,264	70,370
Vocational	27,083	17,112	9,971
Student Intervention	11,212	0	11,212
Support Services			
Pupils	266,996	239,652	27,344
Instructional Staff	150,553	131,594	18,959
Board of Education	24,697	19,714	4,983
Administration	671,098	641,742	29,356
Fiscal	269,346	255,338	14,008
Operation and Maintenance of Plant	681,687	742,137	(60,450)
Pupil Transportation	209,679	180,051	29,628
Operation of Non-Instructional Services	0	500	(500)
Food Service Operations	176,307	141,782	34,525
Extracurricular Activities	207,334	220,583	(13,249)
Interest and Fiscal Charges	3,976	7,317	(3,341)
<b>Total Expenses</b>	<b>7,340,464</b>	<b>6,707,627</b>	<b>632,837</b>
<b>Increase in Net Assets</b>	<b>795,054</b>	<b>833,187</b>	<b>(38,133)</b>
Net Assets Beginning of Year	2,524,027	1,690,840	833,187
<b>Net Assets End of Year</b>	<b>\$3,319,081</b>	<b>\$2,524,027</b>	<b>\$795,054</b>

In 2009 program revenues increased due primarily to increases in operating grants which was primarily due to the Physical Education Program Grant (P.E.P) that started in fiscal year 2009.

Program revenues accounted for 31 percent of the School District's revenues in fiscal year 2009. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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 both vocational instruction and student intervention services. Overall expenses reflect an increase of \$632,837, which is due primarily to increased program costs. In previous years the student intervention costs were included with regular instruction.

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 2008 and 2009. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Instruction				
Regular	\$3,872,862	\$3,412,841	\$2,396,882	\$2,485,679
Special	767,634	697,264	283,161	248,002
Vocational	27,083	17,112	9,683	(2,909)
Student Intervention Services	11,212	0	11,212	0
Support Services				
Pupils	266,996	239,652	264,790	234,607
Instructional Staff	150,553	131,594	123,853	125,320
Board of Education	24,697	19,714	24,697	19,714
Aministration	671,098	641,742	667,463	641,742
Fiscal	269,346	255,338	261,919	252,566
Operation and Maintenance of Plant	681,687	742,137	586,466	741,891
Pupil Transportation	209,679	180,051	123,428	177,188
Operation of Non-Instructional Services	0	500	0	500
Food Service Operations	176,307	141,782	25,800	6,530
Extracurricular Activities	207,334	220,583	60,028	84,158
Interest and Fiscal Charges	3,976	7,317	3,976	7,317
<b>Total Expenses</b>	<b>\$7,340,464</b>	<b>\$6,707,627</b>	<b>\$4,843,358</b>	<b>\$5,022,305</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 66 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, 2009  
Unaudited

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**The School District Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had \$8,127,156 in revenues and \$7,689,598 in expenditures. The net change in governmental fund balances, including transfers was an increase of \$437,558.

***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 2009 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The actual results of operations were significantly different than budgeted amounts as spending in most categories were lower than budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009 the School District had \$1,309,690 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

***Debt***

At June 30, 2009, the School District had \$57,007 in energy conservation loans outstanding. See Note 15 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.

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

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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The Renewal of the Emergency Levy was defeated for the second time by the taxpayers, which results in the levy ceasing to be collected beginning with calendar year 2010 collections. 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, 2009*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,370,535
Intergovernmental Receivable	75,752
Prepaid Items	32,043
Materials and Supplies Inventory	2,185
Cash and Cash Equivalents with Fiscal Agents	935,139
Property Taxes Receivable	2,561,927
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	1,267,401
<i>Total Assets</i>	7,287,271
<b>Liabilities</b>	
Accounts Payable	109,141
Accrued Wages and Benefits Payable	536,632
Intergovernmental Payable	202,927
Matured Severance Payable	112,874
Claims Payable	90,515
Deferred Revenue	2,315,856
Long-Term Liabilities:	
Due Within One Year	37,657
Due In More Than One Year	562,588
<i>Total Liabilities</i>	3,968,190
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,252,683
Restricted for:	
Capital Projects	566,536
Debt Service	750
Bus Purchase	2,126
State Programs	20,649
Federal Programs	8,507
Other Purposes	31,469
Unrestricted	1,436,361
<i>Total Net Assets</i>	\$3,319,081

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,872,862	\$901,827	\$574,153	\$0	(\$2,396,882)
Special	767,634	0	484,473	0	(283,161)
Vocational	27,083	0	17,400	0	(9,683)
Student Intervention Services	11,212	0	0	0	(11,212)
Support Services:					
Pupil	266,996	0	2,206	0	(264,790)
Instructional Staff	150,553	0	17,700	9,000	(123,853)
Board of Education	24,697	0	0	0	(24,697)
Administration	671,098	0	3,635	0	(667,463)
Fiscal	269,346	0	7,427	0	(261,919)
Operation and Maintenance of Plant	681,687	12	95,209	0	(586,466)
Pupil Transportation	209,679	0	80,122	6,129	(123,428)
Operation of Non-Instructional Services:					
Food Service Operations	176,307	74,853	75,654	0	(25,800)
Extracurricular Activities	207,334	147,306	0	0	(60,028)
Interest and Fiscal Charges	3,976	0	0	0	(3,976)
<i>Total Governmental Activities</i>	<u>\$7,340,464</u>	<u>\$1,123,998</u>	<u>\$1,357,979</u>	<u>\$15,129</u>	<u>(4,843,358)</u>

**General Revenues**

Property Taxes Levied for General Purposes	2,548,860
Property Taxes Levied for Capital Projects	318,664
Grants and Entitlements not Restricted to Specific Programs	2,718,248
Gifts and Donations	4,831
Investment Earnings	37,762
Miscellaneous	10,047
<i>Total General Revenues</i>	<u>5,638,412</u>
Change in Net Assets	795,054
<i>Net Assets Beginning of Year</i>	<u>2,524,027</u>
<i>Net Assets End of Year</i>	<u><u>\$3,319,081</u></u>

See accompanying notes to the basic financial statements



**Shadyside Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,691,757	\$600,910	\$75,742	\$2,368,409
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,126	0	0	2,126
Receivables:				
Property Taxes	2,252,834	309,093	0	2,561,927
Intergovernmental	28,956	0	46,796	75,752
Interfund	1,924	0	0	1,924
Prepaid Items	32,043	0	0	32,043
Materials and Supplies Inventory	1,338	0	847	2,185
<i>Total Assets</i>	<u>\$4,010,978</u>	<u>\$910,003</u>	<u>\$123,385</u>	<u>\$5,044,366</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$25,408	\$61,369	\$22,364	\$109,141
Accrued Wages and Benefits	495,875	0	40,757	536,632
Interfund Payable	0	0	1,924	1,924
Intergovernmental Payable	189,491	0	13,436	202,927
Matured Severance Payable	112,874	0	0	112,874
Deferred Revenue	2,195,124	298,641	0	2,493,765
<i>Total Liabilities</i>	<u>3,018,772</u>	<u>360,010</u>	<u>78,481</u>	<u>3,457,263</u>
<b>Fund Balances (Deficit)</b>				
Reserved for Encumbrances	28,531	35,022	56,660	120,213
Reserved for Property Taxes	86,666	10,452	0	97,118
Reserved for Bus Purchases	2,126	0	0	2,126
Unreserved, Undesignated, Reported in:				
General Fund	874,883	0	0	874,883
Special Revenue Funds	0	0	(12,515)	(12,515)
Debt Service Fund	0	0	750	750
Capital Projects Funds	0	504,519	9	504,528
<i>Total Fund Balances</i>	<u>992,206</u>	<u>549,993</u>	<u>44,904</u>	<u>1,587,103</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,010,978</u>	<u>\$910,003</u>	<u>\$123,385</u>	<u>\$5,044,366</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, 2009*

<b>Total Governmental Fund Balances</b>		<b>\$1,587,103</b>
 <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 deferred in the funds.		1,309,690
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Tuition and Fees	28,956	
Property Taxes	<u>148,953</u>	
Total		177,909
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.		844,624
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	543,238	
Energy Conservation Loan	<u>57,007</u>	
Total		<u>(600,245)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$3,319,081</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, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,534,908	\$316,875	\$0	\$2,851,783
Intergovernmental	2,977,333	151,727	992,332	4,121,392
Interest	7,574	3,952	31	11,557
Tuition and Fees	905,375	0	0	905,375
Extracurricular Activities	0	0	147,306	147,306
Rent	12	0	0	12
Gifts and Donations	4,831	0	0	4,831
Charges for Services	0	0	74,853	74,853
Miscellaneous	10,047	0	0	10,047
<i>Total Revenues</i>	<u>6,440,080</u>	<u>472,554</u>	<u>1,214,522</u>	<u>8,127,156</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,311,917	189,953	489,417	3,991,287
Special	490,706	501	266,865	758,072
Vocational	27,083	0	0	27,083
Student Intervention Services	11,212	0	0	11,212
Support Services:				
Pupil	267,608	0	2,179	269,787
Instructional Staff	132,817	0	24,592	157,409
Board of Education	24,612	0	0	24,612
Administration	566,335	10,734	71,308	648,377
Fiscal	259,822	7,906	4,184	271,912
Operation and Maintenance of Plant	629,082	215,125	19,693	863,900
Pupil Transportation	210,672	7,714	68,279	286,665
Food Service Operations	0	0	172,710	172,710
Extracurricular Activities	94,775	0	82,527	177,302
Debt Service:				
Principal Retirement	0	15,607	9,687	25,294
Interest and Fiscal Charges	0	481	3,495	3,976
<i>Total Expenditures</i>	<u>6,026,641</u>	<u>448,021</u>	<u>1,214,936</u>	<u>7,689,598</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>413,439</u>	<u>24,533</u>	<u>(414)</u>	<u>437,558</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	117,744	117,744
Transfers Out	(117,744)	0	0	(117,744)
Total Other Financing Sources (Uses)	<u>(117,744)</u>	<u>0</u>	<u>117,744</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	295,695	24,533	117,330	437,558
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>696,511</u>	<u>525,460</u>	<u>(72,426)</u>	<u>1,149,545</u>
<i>Fund Balances End of Year</i>	<u>\$992,206</u>	<u>\$549,993</u>	<u>\$44,904</u>	<u>\$1,587,103</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, 2009*

**Net Change in Fund Balances - Total Governmental Funds** \$437,558

*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 exceed depreciation in the current period.

Capital Asset Additions	364,617	
Depreciation	(121,384)	
Total	243,233	243,233

Capital Assets removed from the capital asset account on the statement of net assets results in a gain or loss on disposal of capital assets on the statement of activities (16,991)

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

Tuition and Fees	(3,548)	
Grants	(30,036)	
Property Taxes	15,741	
Total	(17,843)	(17,843)

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

Energy Conservation Loans	9,687	
Capital Leases	15,607	
Total	25,294	25,294

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		(53,435)
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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.

177,238

*Changes in Net Assets of Governmental Activities*

\$795,054

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, 2009*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,655,000	\$2,532,472	\$2,529,085	(\$3,387)
Intergovernmental	2,779,430	2,986,281	2,977,333	(8,948)
Interest	9,000	9,000	7,580	(1,420)
Tuition and Fees	878,000	878,000	905,375	27,375
Rent	200	200	12	(188)
Gifts and Donations	7,500	7,500	4,831	(2,669)
Miscellaneous	6,300	6,300	8,123	1,823
<i>Total Revenues</i>	<u>6,335,430</u>	<u>6,419,753</u>	<u>6,432,339</u>	<u>12,586</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,506,907	3,468,194	3,305,011	163,183
Special	476,194	440,024	472,096	(32,072)
Vocational	35,829	28,387	26,958	1,429
Student Intervention Service	18,720	18,720	11,212	7,508
Support Services:				
Pupil	289,796	285,285	269,934	15,351
Instructional Staff	136,868	136,868	137,411	(543)
Board of Education	27,369	24,574	22,989	1,585
Administration	582,180	570,767	586,214	(15,447)
Fiscal	276,761	269,956	259,928	10,028
Operation and Maintenance of Plant	607,011	612,442	629,473	(17,031)
Pupil Transportation	246,922	232,003	208,690	23,313
Extracurricular Activities	99,375	99,375	94,225	5,150
<i>Total Expenditures</i>	<u>6,303,932</u>	<u>6,186,595</u>	<u>6,024,141</u>	<u>162,454</u>
Excess of Revenues Over Expenditures	<u>31,498</u>	<u>233,158</u>	<u>408,198</u>	<u>175,040</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	1,044	1,044	0	(1,044)
Transfers Out	(24,070)	(24,070)	(38,999)	(14,929)
Advances In	0	0	37,566	37,566
Advances Out	(25,000)	(25,000)	0	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(48,026)</u>	<u>(48,026)</u>	<u>(1,433)</u>	<u>46,593</u>
<i>Net Change in Fund Balance</i>	<u>(16,528)</u>	<u>185,132</u>	<u>406,765</u>	<u>221,633</u>
<i>Fund Balance Beginning of Year</i>	<u>1,229,057</u>	<u>1,229,057</u>	<u>1,229,057</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>14,225</u>	<u>14,225</u>	<u>14,225</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,226,754</u></u>	<u><u>\$1,428,414</u></u>	<u><u>\$1,650,047</u></u>	<u><u>\$221,633</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2009*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$935,139
<b>Current Liabilities</b>	
Claims Payable	90,515
<b>Net Assets</b>	
Unrestricted	844,624
<i>Total Net Assets</i>	\$844,624

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, 2009*

	<u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u>
<b>Operating Revenues</b>	
Charges for Services	\$1,182,415
Other	<u>7,638</u>
<i>Total Operating Revenues</i>	<u>1,190,053</u>
<b>Operating Expenses</b>	
Purchased Services	165,670
Claims	<u>873,350</u>
<i>Total Operating Expenses</i>	<u>1,039,020</u>
<i>Operating Income</i>	151,033
<b>Non-Operating Revenues</b>	
Interest	<u>26,205</u>
<i>Change in Net Assets</i>	177,238
<i>Net Assets Beginning of Year</i>	<u>667,386</u>
<i>Net Assets End of Year</i>	<u><u>\$844,624</u></u>

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, 2009

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,182,415
Cash Payments for Goods and Services	(165,670)
Cash Payments for Claims	(830,344)
Cash Received from Other Operating Revenue	7,638
<i>Net Cash Provided by Operating Activities</i>	194,039
<b>Cash Flows from Investing Activities</b>	
Interest	26,205
<i>Net Cash Provided by Investing Activities</i>	26,205
<i>Net Increase in Cash and Cash Equivalents</i>	220,244
<i>Cash and Cash Equivalents Beginning of Year</i>	714,895
<i>Cash and Cash Equivalents End of Year</i>	\$935,139
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$151,033
Increase in Liabilities:	
Claims Payable	43,006
<i>Net Cash Provided by Operating Activities</i>	\$194,039

See accompanying notes to the basic financial statements



**Shadyside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2009*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,465</u>
<i>Total Assets</i>	<u><u>\$34,465</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$34,465</u>
<i>Total Liabilities</i>	<u><u>\$34,465</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, 2009

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

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

The first official body designated as the Shadyside Local Board of Education was formed on January 2, 1905. At that meeting, the clerk's salary was set at \$25.00 per year. The clerk was instructed to purchase a clerk's record. At the second meeting, the Librarian's salary was set at \$10.00 per year. A new building had been constructed prior to this time. Insurance was purchased to cover this structure in the amount of \$3,500 on the building and \$500 on the contents.

The School District is located in Belmont County. The Board controls the School District's four instructional/support facilities staff by 22 non-certificated employees, 63 certificated teaching personnel, and 6 administrators who provide services to 872 students and other community members.

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

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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 (OME-RESA), 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 17 and 18 to the general purpose financial statements.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

The financial statements of the Shadyside Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its 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 general purpose financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

**B. Fund Accounting**

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

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

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

**Internal Service Fund** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug, and dental claims.

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

### **C. Measurement Focus**

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

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

**D. Basis of Accounting**

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2009, 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, 2009.

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 2009 amounted to \$7,574, which includes \$3,697, 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, 2009, 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, 2009

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**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand-five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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

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



**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

**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 Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State Statute. The reserve for bus purchases is for state funds required to be utilized for the purchase of school buses.

**O. Net Assets**

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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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 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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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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**

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 requires endowments, including permanent funds, to report land and other real estate investments at fair value, and to report the changes in fair value as investment income. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. The implementation of this statement did not result in any change to the financial statements.

**NOTE 4 – FUND DEFICIT**

At June 30, 2009, the following fund has a deficit fund balance:

	Deficit
	<u>Fund Balance</u>
Food Service Special Revenue Fund	\$16,480

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund 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 as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Prior year interfund balances that have been reported as permanent transfers during fiscal year 2009 (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$295,695
Revenue Accruals	(7,741)
Advances In	37,566
Expenditure Accruals	46,336
Transfers Out	78,745
Encumbrances	(43,836)
Budget Basis	\$406,765

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

**Shadyside Local School District**  
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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;
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);
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2009, the School District's internal service fund had a balance of \$935,139 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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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, \$2,137,153 of the School District's bank balance of \$2,392,765 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, 2009, the School District had an investment in STAROhio. The fair value of the investments in Star Ohio was \$134,891, and the investment has an average maturity of 58.10 days.

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

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

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes.

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For the Fiscal Year Ended June 30, 2009

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Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009 was \$86,666 in the General Fund and \$10,452 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2008, was \$80,843 in the General Fund and \$9,766 in the Permanent Improvement Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$75,787,680	77.9%	\$78,083,920	79.1%
Public Utility Personal	20,488,790	21.0%	20,597,600	20.9%
Tangible Personal	1,058,105	1.1%	0	0.0%
	<u>\$97,334,575</u>	<u>100.0%</u>	<u>\$98,681,520</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$42.95		\$42.45	

**Shadyside Local School District**  
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For the Fiscal Year Ended June 30, 2009

The School District failed to renew a 6 mill emergency levy which will result in the reduction of the tax collections effective January 1, 2010. See Subsequent Event Note 22 for further details.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2009, 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 \$148,953 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	\$28,956
Physical Education Program Grant	32,828
Title I	5,627
Title IIA	7,004
Title IID	838
Title V	499
	\$75,752

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
<b>Nondepreciable Capital Assets:</b>				
Land	\$42,289	\$0	\$0	\$42,289
<b>Total Nondepreciable Capital Assets</b>	<b>42,289</b>	<b>0</b>	<b>0</b>	<b>42,289</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	824,418	172,127	(52,276)	944,269
Buildings and Improvements	3,315,046	7,776	0	3,322,822
Furniture and Equipment	1,571,295	104,435	0	1,675,730
Vehicles	372,697	80,279	0	452,976
<b>Total Depreciable Capital Assets</b>	<b>6,083,456</b>	<b>364,617</b>	<b>(52,276)</b>	<b>6,395,797</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(596,291)	(37,733)	35,285	(598,739)
Buildings and Improvements	(2,670,095)	(35,737)	0	(2,705,832)
Furniture and Equipment	(1,437,007)	(41,502)	0	(1,478,509)
Vehicles	(338,904)	(6,412)	0	(345,316)
<b>Total Accumulated Depreciation</b>	<b>(5,042,297)</b>	<b>(121,384)</b>	<b>35,285</b>	<b>(5,128,396)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>1,041,159</b>	<b>243,233</b>	<b>(16,991)</b>	<b>1,267,401</b>
<b>Governmental Capital Assets, Net</b>	<b>\$1,083,448</b>	<b>\$243,233</b>	<b>(\$16,991)</b>	<b>\$1,309,690</b>

Depreciation expense was charged to governmental activities as follows:



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For the Fiscal Year Ended June 30, 2009

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Instruction:	
Regular	\$49,958
Special	4,713
Support Services:	
Instructional Staff	886
Board of Education	85
Administration	7,493
Fiscal	910
Operation of Maintenance and Plant	8,532
Pupil Transportation	6,353
Food Service Operations	2,313
Extracurricular	40,141
Total Depreciation Expense	<u>\$121,384</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009 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 18). The Shadyside Local School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The liability policy has a liability per occurrence limit ranging from \$10,000 to \$1,000,000 and a \$3,000,000 aggregate annual limit. The property policy is a replacement cost policy with a total coverage of \$25,347,073. 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 \$474.49 for individual coverage per month and \$1,132.63 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 \$330.38 per month, 90 percent paid by the Board, and requires a \$5 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$84.69 per month for family and single coverage and are 90 percent covered by the Board.

The claims liability of \$90,515 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected

**Shadyside Local School District**  
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For the Fiscal Year Ended June 30, 2009

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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</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2008	\$30,115	\$686,682	\$669,288	\$47,509
2009	47,509	873,350	830,344	90,515

***Workers' Compensation***

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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, 2009, 2008, and 2007 were \$58,034, \$51,590, and \$53,251 respectively; 39.42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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](http://www.strsoh.org).

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

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

Funding Policy - For the fiscal year ended June 30, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$391,251, \$377,035, and \$401,149 respectively; 78.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8 made by the School District and \$10,198 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, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Shadyside Local School District**  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$26,559, 23,542, and \$17,679 respectively; 39.42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,788, \$3,717, and \$3,621 respectively; 39.42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, 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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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June 30, 2009, 2008, and 2007 were \$28,893, \$28,687, and \$28,449 respectively; 78.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who work more than 260 days earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time.

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

For certified employees, upon retirement, payment is made for 30 percent of accumulated sick leave at 30 years; 29 percent of accumulated sick leave at 31 years, 28 percent of accumulated unused sick leave at 32 years; 27 percent of accumulated sick leave at 33 years; 26 percent of accumulated sick leave at 34 years; and 25 percent of accumulated sick leave at 35 years. If an employee is eligible to retire at less than 30 years of credited service, severance will be calculated in the following manner:

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

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

**B. Other Insurance Benefits**

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

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

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

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$106,587. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities through capitalized leases are reported net of accumulated depreciation and were fully depreciated at June 30, 2009. Final principal payments in fiscal year 2009 totaled \$15,607 in the governmental funds.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Principal			Principal	Amounts
	Outstanding	Additions	Deductions	Outstanding	Due In
	6/30/08			6/30/09	One Year
Energy Conservation Notes	\$66,694	\$0	\$9,687	\$57,007	\$10,219
Capital Leases	15,607	0	15,607	0	0
Compensated Absences	489,803	69,155	15,720	543,238	27,438
<b>Total General Long-Term Obligations</b>	<b>\$572,104</b>	<b>\$69,155</b>	<b>\$41,014</b>	<b>\$600,245</b>	<b>\$37,657</b>

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

During 1999, the School District issued \$134,000 in unvoted general obligation notes. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. The interest rate on the notes is 5.36 percent. The 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, 2009 are as follows:

Fiscal Year			
Ending June 30, 2009	Principal	Interest	Total
2010	\$10,219	\$2,963	\$13,182
2011	10,781	2,401	13,182
2012	11,371	1,811	13,182
2013	12,002	1,180	13,182
2014	12,634	519	13,153
<b>Total</b>	<b>\$57,007</b>	<b>\$8,874</b>	<b>\$65,881</b>

The School District's overall legal debt margin was \$8,805,101, with an unvoted debt margin of \$98,460 at June 30, 2009.

**NOTE 16 - INTERNAL BALANCES AND TRANSFERS**

Interfund balances at June 30, 2009 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Other Nonmajor Governmental	General Fund
	<u>\$1,924</u>

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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The loan made to the Miscellaneous Local Fund was made to support the programs until local monies are received to operate the program.

Interfund transfers for the year ended June 30, 2009 consisted of the following:

	Transfers to
	Other Non-major
	Governmental
Transfers from	
General Fund	\$117,744

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

**NOTE 17 - 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 2009, 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* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2009, the total amount paid to OME-RESA from the School District was \$96,773 for cooperative gas purchasing services and \$41,627 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. 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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009.

*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 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

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

*Ohio School Plan* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of 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, 2009

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**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 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the 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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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Districts apply and receive approval from the Ohio Department of Education. The Shadyside Local School District remained in Fiscal Caution during fiscal year 2009, but did file not request a waiver of the set-aside requirement for fiscal year 2009.

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0
Current Year Set-aside Requirement	127,735	127,735
Current Year Offsets	(115,506)	(200,683)
Qualifying Disbursements	(82,616)	0
Totals	(\$70,387)	(\$72,948)
Carry Forward at June 30, 2008	(33,833)	0
Set-aside Balance Carried Forward to Future Fiscal Years	(\$104,220)	\$0
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0

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

**NOTE 20 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

The Shadyside Local School District has been awarded a judgment in a criminal case in the United States District Court, Northern District of Ohio. The case is United States of America V. Kenneth J. Schulte. The judgment award was for three offenses: 1) wire fraud, aiding and abetting, 2) frauds and swindles, aiding and abetting, and 3) manipulative and deceptive devices. The Shadyside Local School District's portion of the award is in the amount of \$140,000, with a total judgment award to all parties of \$7,241,759.30. The restitution to the parties is to be equal, not less than, ten percent of defendant's gross monthly income while under supervision. During fiscal year 2009 the School District received no payment toward the total judgment.

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 21 – FINANCIAL POSITION**

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

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

On May 2, 2006, the School District passed an additional General Emergency three-year 6 mill levy. The collections for this levy began in calendar year 2007. The levy will expire December 31, 2009. See Subsequent Event Note 22 for further details.

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

**NOTE 22 – SUBSEQUENT EVENT**

**A. Grants**

The School District has been approved for \$261,103 of Federal Stimulus dollars as part of The American Reinvestment Act of 2009 for the Miscellaneous Federal Grants Fund of which \$63,953 was for Title I and \$197,150 for IDEA-B. The allocations will be available to fund fiscal year 2010 programs.

**B. Contracts**

The School District Board of Education and the Shadyside Education Association (SEA), representing the teaching employees of the School District have approved a contract on November 18, 2009 that is effective retroactively from July 1, 2009 through June 30, 2011.

**C. Levy**

The School District's Emergency Levy renewal failed for the second time on November 3, 2009. The failure of the levy will result in the loss of \$519,472 in tax revenues generated by levy beginning in calendar year 2010 collections.

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**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program Title</b>	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education.</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$3,776	\$3,776
Cash Assistance:				
School Breakfast Program	046003-05PU-09	10.553	9,801	9,801
National School Lunch Program	046003-LLP4-09	10.555	60,255	60,255
Cash Assistance Total			<u>70,056</u>	<u>70,056</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster			73,832	73,832
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education.</i>				
Title I Grants to Local Educational Agencies	046003-C1S1-08	84.010	9,884	9,884
	046003-C1S1-09		94,003	88,443
Total Title I Grants to Local Educational Agencies			<u>103,887</u>	<u>98,327</u>
Special Education, Grants to States	046003-6BSF-08	84.027	61,170	61,170
	046003-6BSF-09		165,404	165,404
Total Special Education, Grants to States			<u>226,574</u>	<u>226,574</u>
Safe and Drug-Free Schools and Communities, State Grants	046003-DRS1-09	84.186	2,179	2,179
Innovative Education Program Strategies	046003-C2S1-09	84.298	78	0
Education Technology State Grants	046003-TJS1-09	84.318	95	0
Improving Teacher Quality State Grants	046003-TRS1-08	84.367	5,679	5,679
	046003-TRS1-09		35,634	38,001
Total Improving Teacher Quality State Grants			<u>41,313</u>	<u>43,680</u>
Fund for the Improvement of Education:				
Carol M. White Physical Education Program - Direct Program	Q215F080633	84.215F	338,861	333,762
Total U.S. Department of Education			712,987	704,522
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program - Community Alternative Funding System	N/A	93.778	21,786	0
Total U.S. Department of Health and Human Services			<u>21,786</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$808,605</u></b>	<b><u>\$778,354</u></b>

*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, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Shadyside Local 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**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

**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 met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS) MEDICAID**

The Community Alternative Funding System grant program receipts in the amount of \$21,718 relate to a settlement for CAFS services provided during prior years.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 14, 2010, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the School District's management in a separate letter dated April 14, 2010.

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

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

We did note certain noncompliance or other matter that we reported to the School District's management in a separate letter dated April 14, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

April 14, 2010





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 the 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 apply to each of its major federal programs for the year ended June 30, 2009. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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 apply to each of its major federal programs for the year ended June 30, 2009. In a separate letter to the School District's management dated April 14, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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



**Mary Taylor, CPA**  
Auditor of State

April 14, 2010

**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Significant deficiency pertaining to the School District's repayment or permanent transfer of prior years' advances from the General Fund to the Food Service Fund.	Yes	Fully Corrected.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157  
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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than this specified party.



**Mary Taylor, CPA**  
Auditor of State

April 14, 2010



**Mary Taylor, CPA**  
Auditor of State

**SHADYSIDE LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 6, 2010**