



**Auditor of State
Betty Montgomery**

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Auditor of State Betty Montgomery

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 general purpose financial statements of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Shadyside Local School District, Belmont County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the School District has changed its capitalization criteria for fixed assets from \$500 to \$1,500.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

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Shadyside Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Agency</u>
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$323,928	\$57,461	\$823,439	\$0	\$31,729
Cash and Cash Equivalents with Fiscal Agent	0	0	0	42,377	0
Receivables:					
Property Taxes	1,975,797	0	337,876	0	0
Intergovernmental	0	36,438	173,779	0	0
Interfund	16,709	0	0	0	0
Materials and Supplies Inventory	1,338	1,653	0	0	0
Prepaid Items	106,641	2,793	0	0	0
Restricted Assets:					
Cash and Cash Equivalents	121,894	0	0	0	0
Fixed Assets	0	0	0	0	0
<u>Other Debits:</u>					
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	<u>\$2,546,307</u>	<u>\$98,345</u>	<u>\$1,335,094</u>	<u>\$42,377</u>	<u>\$31,729</u>

<u>Account Groups</u>		
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$1,236,557
0	0	42,377
0	0	2,313,673
0	0	210,217
0	0	16,709
0	0	2,991
0	0	109,434
0	0	121,894
5,454,944	0	5,454,944
<u>0</u>	<u>921,797</u>	<u>921,797</u>
<u>\$5,454,944</u>	<u>\$921,797</u>	<u>\$10,430,593</u>

(Continued)

Shadyside Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2003

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Internal Service	Agency
<u>Liabilities, Fund Equity and Other Credits:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$21,567	\$2,055	\$2,282	\$0	\$0
Accrued Wages and Benefits	530,305	56,483	0	0	0
Compensated Absences Payable	29,291	0	0	0	0
Interfund Payable	0	16,709	0	0	0
Intergovernmental Payable	104,529	8,979	0	0	0
Deferred Revenue	1,201,246	0	378,871	0	0
Due to Students	0	0	0	0	31,729
Claims Payable	0	0	0	115,976	0
Capital Leases Payable	0	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0	0
Total Liabilities	<u>1,886,938</u>	<u>84,226</u>	<u>381,153</u>	<u>115,976</u>	<u>31,729</u>
<u>Fund Equity and Other Credits:</u>					
Investment in General Fixed Assets	0	0	0	0	0
Unreserved Retained Earnings (Deficit)	0	0	0	(73,599)	0
Fund Balance:					
Reserved for Encumbrances	64,809	11,848	183,435	0	0
Reserved for Property Taxes	774,551	0	132,784	0	0
Reserved for Budget Stabilization	21,482	0	0	0	0
Reserved for Bus Purchase	100,412	0	0	0	0
Unreserved:					
Designated for Budget Stabilization	101,787	0	0	0	0
Undesignated (Deficit)	(403,672)	2,271	637,722	0	0
Total Fund Equity and Other Credits	<u>659,369</u>	<u>14,119</u>	<u>953,941</u>	<u>(73,599)</u>	<u>0</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,546,307</u>	<u>\$98,345</u>	<u>\$1,335,094</u>	<u>\$42,377</u>	<u>\$31,729</u>

See accompanying notes to the general purpose financial statements

<u>Account Groups</u>		
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$25,904
0	0	586,788
0	745,521	774,812
0	0	16,709
0	42,517	156,025
0	0	1,580,117
0	0	31,729
0	0	115,976
0	25,750	25,750
0	108,009	108,009
<u>0</u>	<u>921,797</u>	<u>3,421,819</u>
5,454,944	0	5,454,944
0	0	(73,599)
0	0	260,092
0	0	907,335
0	0	21,482
0	0	100,412
0	0	101,787
0	0	236,321
<u>5,454,944</u>	<u>0</u>	<u>7,008,774</u>
<u>\$5,454,944</u>	<u>\$921,797</u>	<u>\$10,430,593</u>

Shadyside Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund		
	General	Special Revenue	Debt Service
<i>Revenues:</i>			
Property Taxes	\$2,546,875	\$0	\$0
Intergovernmental	3,096,432	402,902	0
Interest	15,575	128	0
Tuition and Fees	34,066	63,762	0
Rent	5,716	0	0
Extracurricular Activities	0	115,896	0
Gifts and Donations	2,223	3,503	0
Miscellaneous	0	0	0
Total Revenues	5,700,887	586,191	0
<i>Expenditures:</i>			
Current:			
Instruction:			
Regular	2,889,003	60,371	0
Special	367,647	251,835	0
Vocational	1,233	0	0
Support Services:			
Pupils	228,848	18,680	0
Instructional Staff	184,705	19,709	0
Board of Education	36,097	0	0
Administration	547,229	19,957	0
Fiscal	206,588	6,250	0
Operation and Maintenance of Plant	550,266	790	0
Pupil Transportation	193,371	0	0
Operation of Non Instructional Services	0	145,757	0
Extracurricular Activities	104,572	132,390	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	7,021
Interest and Fiscal Charges	0	0	6,161
Total Expenditures	5,309,559	655,739	13,182
Excess of Revenues Over (Under) Expenditures	391,328	(69,548)	(13,182)
<i>Other Financing Sources (Uses):</i>			
Operating Transfers In	0	0	13,182
Operating Transfers Out	(13,182)	0	0
Total Other Financing Sources (Uses)	(13,182)	0	13,182
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	378,146	(69,548)	0
Fund Balances at Beginning of Year - Restated (Note 3)	281,223	83,667	0
Fund Balances at End of Year	\$659,369	\$14,119	\$0

See accompanying notes to the general purpose financial statements

Types

Capital Projects	Totals (Memorandum Only)
\$432,213	\$2,979,088
213,502	3,712,836
9,381	25,084
0	97,828
0	5,716
0	115,896
0	5,726
30	30
<u>655,126</u>	<u>6,942,204</u>
61,144	3,010,518
357	619,839
0	1,233
0	247,528
1,578	205,992
7,805	43,902
87	567,273
7,870	220,708
54,350	605,406
1,928	195,299
0	145,757
0	236,962
18,306	18,306
10,477	17,498
2,497	8,658
<u>166,399</u>	<u>6,144,879</u>
<u>488,727</u>	<u>797,325</u>
0	13,182
0	(13,182)
<u>0</u>	<u>0</u>
488,727	797,325
<u>465,214</u>	<u>830,104</u>
<u>\$953,941</u>	<u>\$1,627,429</u>

Shadyside Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Property Taxes	\$1,785,401	\$1,860,048	\$74,647
Intergovernmental	3,102,123	3,096,432	(5,691)
Interest	21,680	15,732	(5,948)
Tuition and Fees	56,826	34,066	(22,760)
Rent	3,261	5,716	2,455
Extracurricular Activities	0	0	0
Gifts and Donations	2,215	2,223	8
Miscellaneous	1,949	0	(1,949)
Total Revenues	4,973,455	5,014,217	40,762
<i>Expenditures:</i>			
Current:			
Instruction:			
Regular	2,742,292	2,884,088	(141,796)
Special	411,906	350,441	61,465
Vocational	2,931	2,055	876
Support Services:			
Pupils	252,180	230,294	21,886
Instructional Staff	166,754	180,047	(13,293)
Board of Education	34,137	35,627	(1,490)
Administration	522,447	526,218	(3,771)
Fiscal	231,748	214,299	17,449
Operation and Maintenance of Plant	556,838	570,923	(14,085)
Pupil Transportation	258,294	203,043	55,251
Non-Instructional Services	0	0	0
Extracurricular Activities	122,065	101,805	20,260
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	5,301,592	5,298,840	2,752
Excess of Revenues Over (Under) Expenditures	(328,137)	(284,623)	43,514
<i>Other Financing Sources (Uses):</i>			
Advances In	0	0	0
Advances Out	(10,572)	(16,709)	(6,137)
Operating Transfers In	0	0	0
Operating Transfers Out	(13,183)	(13,182)	1
Total Other Financing Sources (Uses)	(23,755)	(29,891)	(6,136)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(351,892)	(314,514)	37,378
Fund Balances at Beginning of Year	566,621	566,621	0
Prior Year Encumbrances Appropriated	119,117	119,117	0
Fund Balances at End of Year	\$333,846	\$371,224	\$37,378

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
396,181	362,157	(34,024)	0	0	0
149	128	(21)	0	0	0
63,762	63,762	0	0	0	0
0	0	0	0	0	0
110,817	115,896	5,079	0	0	0
3,000	3,503	503	0	0	0
0	0	0	0	0	0
<u>573,909</u>	<u>545,446</u>	<u>(28,463)</u>	<u>0</u>	<u>0</u>	<u>0</u>
74,135	70,934	3,201	0	0	0
279,229	247,578	31,651	0	0	0
0	0	0	0	0	0
17,030	18,680	(1,650)	0	0	0
22,886	21,826	1,060	0	0	0
0	0	0	0	0	0
24,911	22,675	2,236	0	0	0
0	6,250	(6,250)	0	0	0
900	790	110	0	0	0
0	0	0	0	0	0
127,406	135,232	(7,826)	0	0	0
132,686	139,884	(7,198)	0	0	0
0	0	0	0	0	0
0	0	0	7,022	7,021	1
0	0	0	6,161	6,161	0
<u>679,183</u>	<u>663,849</u>	<u>15,334</u>	<u>13,183</u>	<u>13,182</u>	<u>1</u>
<u>(105,274)</u>	<u>(118,403)</u>	<u>(13,129)</u>	<u>(13,183)</u>	<u>(13,182)</u>	<u>1</u>
16,709	16,709	0	0	0	0
(5,000)	0	5,000	0	0	0
0	0	0	13,578	13,182	(396)
0	0	0	0	0	0
<u>11,709</u>	<u>16,709</u>	<u>5,000</u>	<u>13,578</u>	<u>13,182</u>	<u>(396)</u>
(93,565)	(101,694)	(8,129)	395	0	(395)
132,256	132,256	0	0	0	0
12,650	12,650	0	0	0	0
<u>\$51,341</u>	<u>\$43,212</u>	<u>(\$8,129)</u>	<u>\$395</u>	<u>\$0</u>	<u>(\$395)</u>

(Continued)

Shadyside Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2003

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Property Taxes	\$309,600	\$315,572	\$5,972
Intergovernmental	238,730	213,502	(25,228)
Interest	5,505	10,172	4,667
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	300	30	(270)
Total Revenues	554,135	539,276	(14,859)
<i>Expenditures:</i>			
Current:			
Instruction:			
Regular	105,882	72,486	33,396
Special	2,575	2,064	511
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	19,474	26,374	(6,900)
Board of Education	7,850	7,805	45
Administration	5,899	4,691	1,208
Fiscal	11,315	7,870	3,445
Operation and Maintenance of Plant	186,563	255,602	(69,039)
Pupil Transportation	3,420	4,155	(735)
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	23,000	18,306	4,694
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	365,978	399,353	(33,375)
Excess of Revenues Over (Under) Expenditures	188,157	139,923	(48,234)
<i>Other Financing Sources (Uses):</i>			
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	188,157	139,923	(48,234)
Fund Balances at Beginning of Year	430,600	430,600	0
Prior Year Encumbrances Appropriated	67,745	67,745	0
Fund Balances at End of Year	\$686,502	\$638,268	(\$48,234)

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,095,001	\$2,175,620	\$80,619
3,737,034	3,672,091	(64,943)
27,334	26,032	(1,302)
120,588	97,828	(22,760)
3,261	5,716	2,455
110,817	115,896	5,079
5,215	5,726	511
2,249	30	(2,219)
<u>6,101,499</u>	<u>6,098,939</u>	<u>(2,560)</u>
2,922,309	3,027,508	(105,199)
693,710	600,083	93,627
2,931	2,055	876
269,210	248,974	20,236
209,114	228,247	(19,133)
41,987	43,432	(1,445)
553,257	553,584	(327)
243,063	228,419	14,644
744,301	827,315	(83,014)
261,714	207,198	54,516
127,406	135,232	(7,826)
254,751	241,689	13,062
23,000	18,306	4,694
7,022	7,021	1
6,161	6,161	0
<u>6,359,936</u>	<u>6,375,224</u>	<u>(15,288)</u>
<u>(258,437)</u>	<u>(276,285)</u>	<u>(17,848)</u>
16,709	16,709	0
(15,572)	(16,709)	(1,137)
13,578	13,182	(396)
(13,183)	(13,182)	1
<u>1,532</u>	<u>0</u>	<u>(1,532)</u>
(256,905)	(276,285)	(19,380)
1,129,477	1,129,477	0
199,512	199,512	0
<u>\$1,072,084</u>	<u>\$1,052,704</u>	<u>(\$19,380)</u>

Shadyside Local School District, Ohio
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	<u>Internal Service</u>
<i><u>Operating Revenues:</u></i>	
Charges for Services	\$592,639
Other Operating Revenues	30,860
Total Operating Revenues	623,499
<i><u>Operating Expenses:</u></i>	
Purchased Services	44,005
Claims	682,024
Total Operating Expenses	726,029
Operating Loss	(102,530)
<i><u>Non-Operating Revenue:</u></i>	
Interest	925
Net Loss	(101,605)
Retained Earnings at Beginning of Year	28,006
Retained Earnings at End of Year	(\$73,599)

See accompanying notes to the general purpose financial statements

Shadyside Local School District, Ohio
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Charges for Services	\$680,301	\$592,639	(\$87,662)
Interest	2,013	925	(1,088)
Other Operating Revenues	777	30,860	30,083
Total Revenues	<u>683,091</u>	<u>624,424</u>	<u>(58,667)</u>
<i>Expenses:</i>			
Personal Services	589,145	599,978	(10,833)
Contractual Services	16,526	44,005	(27,479)
Total Expenses	<u>605,671</u>	<u>643,983</u>	<u>(38,312)</u>
Excess of Revenues Over (Under) Expenses	77,420	(19,559)	(96,979)
Fund Equity at Beginning of Year	<u>61,936</u>	<u>61,936</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$139,356</u></u>	<u><u>\$42,377</u></u>	<u><u>(\$96,979)</u></u>

See accompanying notes to the general purpose financial statements

Shadyside Local School District, Ohio
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Internal Service
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>	
Cash Flows from Operating Activities:	
Cash Received from Quasi-External Transactions with Other Funds	592,639
Cash Payments for Employee Services and Benefits	(599,978)
Cash Payments for Goods and Services	(44,005)
Other Operating Revenues	30,860
Net Cash Used in Operating Activities	(20,484)
<i><u>Cash Flows from Investing Activities:</u></i>	
Receipts of Interest	925
Net Cash Provided by Investing Activities	925
Net Decrease in Cash and Cash Equivalents	(19,559)
Cash and Cash Equivalents at Beginning of Year	61,936
Cash and Cash Equivalents at End of Year	\$42,377
<i><u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</u></i>	
Operating Loss	(\$102,530)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>	
Changes in Liabilities:	
Increase in Claims Payable	82,046
Net Cash Used in Operating Activities	(\$20,484)

See accompanying notes to the general purpose financial statements

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 29 non-certificated employees, 67 certificated teaching personnel, and 5 administrators who provide services to 857 students and other community members.

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 participates in the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Educational Service Agency (OME-RESA), and the East Central Ohio Special Education Regional Resource Center (ECOSERRC), 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 claims servicing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition:

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 non-exchange 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, 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.

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.

C. Budgetary Process

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

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has the authority to further allocate fund appropriations passed by the Board of Education. Advances In and Out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Lapsing of Appropriations:

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

D. Cash and 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

The School District has cash held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2003, 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, 2003.

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 2003 amounted to \$15,575, which includes \$7,666, assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for budget stabilization and unexpended revenues restricted for the purchase of school buses. See Note 19 for additional information regarding set-asides.

F. 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventory is reported using the consumption method.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets

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

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

Assets in the general fixed assets account group are not depreciated.

J. Interfund Assets/Liabilities

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

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after thirteen years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

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

N. Fund Balance Reserves/Designations

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, budget stabilization, 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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District reports a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

O. Total Columns on General Purpose Financial Statements

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – PRIOR PERIOD RESTATEMENT

For fiscal year 2003 the Enterprise Fund Type Food Service Fund was reclassified as a special revenue fund. The reclassification resulted in fixed assets and compensated absences being reported in the fixed assets and long term debt account groups instead of as a fund liability. The restatements had the following impact on Fund Balances/Retained Earnings.

	Special Revenue	Enterprise
Fund Balances/Retained Earnings at June 30, 2002	\$87,661	(\$1,779)
Fund Reclassifications	(3,994)	1,779
Adjusted Fund Balances/Retained Earnings at June 30, 2002	\$83,667	\$0

The restatements had the following impact on Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income.

	Special Revenue	Enterprise
Excess/Net Income for the fiscal year ended June 30, 2002	(\$22,662)	\$18,431
Fund Reclassifications	18,431	(18,431)
Adjusted Excess/Net Income for the fiscal year ended June 30, 2002	(\$4,231)	\$0

In addition, fixed assets were restated due to the reclassification of the Food Service Fund as a special revenue fund, a re-appraisal, and an increase in the capitalization threshold to \$1,500. The restatement resulted in an increase of \$100,872 in the general fixed assets account group from \$5,337,705 to \$5,438,577.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability:

At June 30, 2003, the following fund had a deficit fund balance:

	Deficit Fund Balance
<u>Special Revenue Funds:</u>	
Food Service	\$24,760

The deficit in the food service special revenue fund was created by the application of generally accepted accounting principles. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The following funds had expenditures in excess of appropriations, contrary to section 5705.41(B), Revised Code:

	<u>Deficit</u>
General Fund:	
Regular Instruction	\$141,796
Support Services - Instructional Staff	13,293
Support Services - Operation and Maintenance of Plant	14,085
Permanent Improvement Fund	27,114
Self Insurance Fund	38,312

The School District will monitor expenditures in the future to ensure they do not exceed total appropriations at the legal level of control.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$378,146	(\$69,548)	\$488,727
Revenue Accruals	(686,670)	(40,745)	(115,850)
Advances In	0	16,709	0
Expenditure Accruals	85,317	6,139	(47,783)
Advances Out	(16,709)	0	0
Encumbrances	(74,598)	(14,249)	(185,171)
Budget Basis	(\$314,514)	(\$101,694)	\$139,923

Net Loss/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type

	Internal Service
GAAP Basis	(\$101,605)
Expense Accruals	82,046
Budget Basis	(\$19,559)

NOTE 6 - CASH AND CASH EQUIVALENTS

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Deposits: At fiscal year end, the carrying amount of the School District's deposits were \$1,146,094 and the bank balance was \$1,308,101. Of the bank balance:

\$106,332 was covered by federal depository insurance; and

\$1,201,769 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Carrying/Fair Value
	<hr/>
STAROhio	\$212,357
	<hr/> <hr/>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
	<hr/>	<hr/>
GASB Statement 9	\$1,358,451	\$0
STAROhio	(212,357)	212,357
	<hr/>	<hr/>
GASB Statement 3	\$1,146,094	\$212,357
	<hr/> <hr/>	<hr/> <hr/>

At June 30, 2003, the School District's internal service fund had a balance of \$42,377 with OME-RESA, a jointly governed organization (See Note 18). The money is held by the claims service pool in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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, 2003, are available to finance fiscal year 2003 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, 2003 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, 2003 was \$774,551 in the general fund and \$132,784 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$87,724 in the general fund and \$16,143 in the permanent improvement capital projects fund. The large increase in the amount available as an advance at June 30, 2003 was due to the American Electric Power Burger Plant having made an early payment prior to June 30, 2003. At June 30, 2002, an early payment had not been received by the Belmont County Auditor's Office which resulted in a significantly lower amount available as an advance.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$60,532,270	73.3%	\$60,698,760	72.6%
Public Utility Personal	16,606,690	20.1%	17,208,600	20.6%
Tangible Personal	5,399,610	6.6%	5,724,940	6.8%
	<u>\$82,538,570</u>	<u>100.0%</u>	<u>\$83,632,300</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$36.95		\$36.95	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes 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. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Title I	\$15,582
Title II-A	8,019
Title V	4,373
IDEA-B	8,464
Total Special Revenue Funds	<u>36,438</u>
Capital Projects Funds:	
Federal Emergency Repair Grant	<u>173,779</u>
Total All Funds	<u><u>\$210,217</u></u>

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/03</u>
Land and Improvements	\$866,707	\$0	\$0	\$866,707
Buildings and Improvements	2,969,187	0	0	2,969,187
Furniture, Fixtures and Equipment	1,238,863	16,367	0	1,255,230
Vehicles	363,820	0	0	363,820
Totals	<u>\$5,438,577</u>	<u>\$16,367</u>	<u>\$0</u>	<u>\$5,454,944</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 2003, 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 \$20,529,338. The fleet policy has a liability per occurrence of \$1,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. The School District pays the State a rate per \$100 of salaries for workers' compensation.

Medical/surgical, prescription drug and dental insurance is 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 claims servicing pool, consisting of fifty 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 plan 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 \$230.68 for individual coverage per month and \$550.62 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. The District also provides major medical coverage that is 100 percent paid by the Board, for which monthly premiums are \$46.77 for family and \$20.64 for single coverage per month. Prescription drug premiums are \$274.19 per month, 100 percent paid by the Board, and requires a \$5 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$58.38 per month for family and single coverage and are 100 percent covered by the Board.

The claims liability of \$115,976 reported in the internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2002	\$18,732	\$248,280	\$233,082	\$33,930
2003	33,930	682,024	599,978	115,976

For fiscal year 2003, 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the 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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9.0 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$69,943, \$28,286 and \$21,500 respectively; 56.61 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$52,000 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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% for members and 14% 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 the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$422,696, \$389,641, and \$365,325 respectively; 82.68 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$34 made by the School District and \$2,726 made by the plan members.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$32,368 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from the fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$49,910.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

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 earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 255 days for all 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 one-fourth of accrued, but unused sick leave credit to a maximum of 65 days with the remaining balance of days to be paid \$10 per day to the maximum of 225 days.

B. Other Insurance Benefits

In addition to the self-insurance plan, the School District provides employees with a choice of insurance options in which the School District contracts with a local health management organization, The Health Plan of the Upper Ohio Valley. The Board paid premiums of \$714 per month for family coverage and \$296.04 per month for single coverage which represents 79 percent of the total premiums. The employees picked up the remaining 21 percent. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Pacific Mutual Life Insurance Company and the Medical Life Insurance Company. Employees with annual salaries at or below \$15,000 receive \$15,000 of coverage, and employees with annual salaries in excess of \$15,000 receive \$20,000 of coverage.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$53,411, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$10,477 in the governmental funds.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Future minimum lease payments through 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2004	12,974
2005	12,974
2006	<u>2,163</u>
Total	28,111
Less: Amount Representing Interest	<u>(2,361)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$25,750</u></u>

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Principal Outstanding 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/03</u>
Energy Conservation Loan	\$115,030	\$0	\$7,021	\$108,009
Compensated Absences	646,095	274,327	174,901	745,521
Pension Obligation	38,835	42,517	38,835	42,517
Capital Leases	<u>36,227</u>	<u>0</u>	<u>10,477</u>	<u>25,750</u>
Total General Long-Term Obligations	<u><u>\$836,187</u></u>	<u><u>\$316,844</u></u>	<u><u>\$231,234</u></u>	<u><u>\$921,797</u></u>

Capital leases will be paid from the permanent improvement capital projects fund. Compensated absences and the pension obligation, which represent contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

During 1999, the School District issued \$134,000 in unvoted general obligation notes. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. The interest rate on the notes is 5.36 percent. The loan will be repaid from energy savings realized from the energy conservation measures transferred from the General Fund to the Debt Service Fund.

The School District's overall legal debt margin was \$7,526,907 with an unvoted debt margin of \$83,632 at June 30, 2003.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30, 2003	Principal	Interest	Total
2004	7,394	5,788	13,182
2005	7,816	5,366	13,182
2006	8,247	4,935	13,182
2007	8,701	4,481	13,182
2008	9,169	4,013	13,182
2009-2013	54,019	11,852	65,871
2014	12,663	519	13,182
Total	<u>\$108,009</u>	<u>\$36,954</u>	<u>\$144,963</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2003 receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$16,709	\$0
Special Revenue Fund:		
Food Service Fund	<u>0</u>	<u>16,709</u>
Total All Funds	<u>\$16,709</u>	<u>\$16,709</u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School – The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2003, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, Monroe, 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, and cooperative purchasing services to member districts. During fiscal year 2003, the total amount paid to

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

OME-RESA from the School District was \$17,761. 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, Debra Angelo, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School district does not maintain an equity interest in or financial responsibility for the ECOSERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

NOTE 18 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

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

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

B. Claims Servicing Pool

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 claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2001, the Board of Education passed a resolution to maintain the budget reserve pursuant to State statute, and as a result has a reserved and designated fund balance at June 30, 2003.

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.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	\$0	\$0	\$21,482
Current Year Set-aside Requirement	107,286	107,286	0
Prior Year Offset	(97,907)	0	
Current Year Offsets	0	(427,019)	0
Qualifying Disbursements	<u>(69,647)</u>	<u>0</u>	<u>0</u>
Totals	<u>(\$60,268)</u>	<u>(\$319,733)</u>	<u>\$21,482</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(60,268)</u>	<u>0</u>	<u>21,482</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$21,482</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside. The total reserve balance for the three set-asides at the end of the fiscal year was \$21,482.

Shadyside Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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, 2003.

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 2003 the School District received \$30 toward the total judgment.

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

NOTE 21 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$7,601	\$	\$7,601
National School Breakfast Program	046003-05PU-2003	10.553	6,361		6,361	
National School Lunch Program	046003-LLP4-02/03	10.555	<u>44,786</u>		<u>44,786</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>51,147</u>	<u>7,601</u>	<u>51,147</u>	<u>7,601</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Targeted Assistance, Title I	046003-C1S1-02/03	84.010	135,717		156,919	
Special Education, Part B-IDEA	046003-6BSF-02/03-P	84.027	87,383		96,144	
Drug-Free Schools Grant	046003-DRS1-2003	84.186	4,680		4,680	
Innovative Educational Program Strategies	046003-C2S1-02/03	84.298	2,857		3,867	
ITechnology Literacy Challenge Fund Grants	046003-TF53-01/TJS1-03	84.318	4,053		19,773	
Title VI of ESEA - Class Size Reduction	046003-CRS1-2003	84.340			5,079	
Federal Emergency Repair Grant	046003-C3-S3-2003	84.352	74,476		12,885	
Title II - Improving Teacher Quality	046003-TRS1-2003	84.367	<u>36,193</u>		<u>39,136</u>	
Total U.S. Department of Education			<u>345,359</u>		<u>338,483</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	N/A	93.778	<u>21,531</u>		<u>21,531</u>	
Total U.S. Department of Health and Human Services			<u>21,531</u>	<u>0</u>	<u>21,531</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$418,037</u>	<u>\$7,601</u>	<u>\$411,161</u>	<u>\$7,601</u>

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

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 8, 2003, wherein we noted the School District changed its capitalization criteria for fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 8, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND 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 are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Targeted Assistance, Title I, CFDA #84.010 Special Education Part B-IDEA, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such a fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

- As of March 31, 2003, negative fund balances were noted in the DPIA, Summer School Subsidy, Title I, and Drug Free School Funds' in the amounts of \$3,372, \$5,338, \$11,003, and \$468, respectively.
- As of December 31, 2002, negative fund balances were noted in the Lunchroom, DPIA, Summer School Subsidy, Eisenhower Grant, Title I and Drug Free School Funds' in the amounts of \$6,732, \$7,166, \$5,748, \$5,296, \$5,310, and \$468, respectively.
- As of September 30, 2002, negative fund balances were noted in the Lunchroom, Title VI-B, Title I, Title VI, and Title VI-R Funds' in the amounts of \$8,873, \$2,044, \$12,495, \$1,897, and \$538, respectively.

We recommend the School District monitor fund balances to ensure that moneys from one fund are not used to pay the obligations of another fund.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing unit to expend money unless it has been appropriated.

At June 30, 2003, the following funds' had expenditures which exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund – Regular Instruction	\$2,742,292	\$2,884,088	(\$141,796)
General Fund – Instructional Staff	166,754	180,047	(13,293)
General Fund – Operation & Maintenance of Plant	556,838	570,923	(14,085)
Permanent Improvement Fund	316,103	343,217	(27,114)
Self Insurance Fund	605,671	643,983	(38,312)

At December 31, 2002, the following fund had expenditures which exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Self Insurance Fund	\$218,100	\$241,333	(\$23,233)

We recommend the School District Treasurer periodically compare expenditures to appropriations. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 SECTION .315(b)
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain:</i>
2002-11007-001	Ohio Rev. Code Section 5705.41(B), expenditures exceeding appropriations in School District funds.	No	Reissued as Finding No. 2003-002.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-11007-001	The School District Treasurer plans to monitor fund balances to ensure that moneys from one fund are not used to pay the obligations of another fund.	June 30, 2004	Melissa Visnic, Treasurer
2003-11007-002	The School District Treasurer plans to monitor expenditures to ensure they do not exceed appropriations.	June 30, 2004	Melissa Visnic, Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 20, 2004**