



Dave Yost • Auditor of State

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to a projected General Fund deficit. Note 20 to the financial statements describes management's plans to address the projected General Fund deficit.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 17, 2013

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Shadyside Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2012 are as follows:

- In total, net assets decreased \$617,424 due primarily to decreases in property taxes, intergovernmental and revenue in lieu of taxes receivable, which were offset slightly by decreases in deferred revenue associated with property taxes.
- General revenues accounted for \$4,742,606 in revenue or 70 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions accounted for \$2,026,841 or 30 percent of total revenues of \$6,769,447.
- Total assets of governmental activities decreased \$928,555 primarily due to decreases in property taxes, intergovernmental, and revenue in lieu of taxes receivable.
- The School District had \$7,386,871 in expenses related to governmental activities; only \$2,026,841 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital contributions. General revenues of \$4,742,606 were not adequate to provide for these programs.
- Total governmental funds had \$7,506,036 in revenues and \$7,400,915 in expenditures. The net change in governmental fund balances, including inception of capital leases and transfers, was an increase of \$167,562.

Using this Annual Financial Report

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

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

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1
Net Assets
Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$7,988,626	\$8,936,253	(\$947,627)
Capital Assets	1,423,344	1,404,272	19,072
Total Assets	9,411,970	10,340,525	(928,555)
Liabilities			
Long-Term Liabilities	609,449	603,708	5,741
Other Liabilities	2,759,866	3,076,738	(316,872)
Total Liabilities	3,369,315	3,680,446	(311,131)
Net Assets			
Invested in Capital Assets	1,342,382	1,368,265	(25,883)
Restricted	1,546,513	1,479,874	66,639
Unrestricted (Restated - Note 3)	3,153,760	3,811,940	(658,180)
Total Net Assets	\$6,042,655	\$6,660,079	(\$617,424)

Total assets of governmental activities decreased \$928,555 due primarily to decreases in property taxes receivable related to the decrease in assessed valuation, as well as decreased intergovernmental receivables related to the conclusion of the Education Jobs grant as well as overall decreases in federal grant funding. The decrease in revenue in lieu of taxes receivable is a result of the agreement with FirstEnergy Generation Corporation, which the School District entered into during fiscal year 2011, requires five annual, proportionally decreasing payments. The first payment was received in fiscal year 2012 and four payments remain outstanding at June 30, 2012.

Total liabilities decreased \$311,131 due primarily to a decrease in deferred revenue related to property taxes and intergovernmental receivables.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

Table 2			
Changes in Net Assets			
Governmental Activities			
	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,309,423	\$1,435,922	(\$126,499)
Operating Grants and Contributions	706,418	1,455,395	(748,977)
Capital Grants and Contributions	11,000	0	11,000
Total Program Revenues	2,026,841	2,891,317	(864,476)
General Revenues			
Property Taxes	2,050,942	2,376,600	(325,658)
Grants and Entitlements not Restricted to Specific Programs	2,626,322	2,665,867	(39,545)
Revenue in Lieu of Taxes	0	1,808,218	(1,808,218)
Others	65,342	49,994	15,348
Total General Revenues	4,742,606	6,900,679	(2,158,073)
Total Revenues	6,769,447	9,791,996	(3,022,549)
Program Expenses			
Instruction			
Regular	3,987,137	3,813,659	173,478
Special	674,163	777,891	(103,728)
Vocational	28,715	21,703	7,012
Support Services			
Pupils	236,759	214,341	22,418
Instructional Staff	156,613	140,979	15,634
Board of Education	34,771	21,087	13,684
Administration	694,330	656,533	37,797
Fiscal	283,732	281,170	2,562
Operation and Maintenance of Plant	635,355	746,961	(111,606)
Pupil Transportation	249,869	171,914	77,955
Food Service Operations	144,884	132,453	12,431
Extracurricular Activities	256,052	247,230	8,822
Interest and Fiscal Charges	4,491	2,401	2,090
Total Expenses	7,386,871	7,228,322	158,549
Increase/(Decrease) in Net Assets	(617,424)	2,563,674	(3,181,098)
Net Assets Beginning of Year (Restated - Note 3)	6,660,079	4,096,405	2,563,674
Net Assets End of Year	\$6,042,655	\$6,660,079	(\$617,424)

In 2012 program revenues decreased due primarily to a decrease in operating grants and contributions due to the School District no longer receiving American Recovery and Reinvestment Act monies, or Physical Education Program grant monies during fiscal year 2012. The decrease is due to the majority of the Education Jobs grant being recognized in the prior fiscal year. The decrease in operating grants and

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

contributions was compounded by a decrease in charges for services, primarily due to decreases in tuition and fees.

The School District will receive revenue in lieu of taxes which began in fiscal year 2012 related to a contractual agreement between the School District and FirstEnergy Generation Corporation. FirstEnergy ceased operations within the School District's taxing authority, and has contractually agreed to payments in order to mitigate the loss of tax revenue. See Note 7 for further details.

Program revenues accounted for 30 percent of the School District's revenues in fiscal year 2012. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

Instructional programs comprise approximately 63 percent of total governmental program expenses. Of the instructional expenses, approximately 85 percent is for regular instruction, 14 percent for special instruction, and approximately 1 percent for vocational instruction. Overall expenses reflect a slight increase of \$76,762 as the School District continues to monitor spending.

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2011 and 2012. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction				
Regular	\$3,987,137	\$3,813,659	\$2,773,661	\$1,884,169
Special	674,163	777,891	366,623	385,230
Vocational	28,715	21,703	3,828	(3,184)
Support Services				
Pupils	236,759	214,341	236,759	214,341
Instructional Staff	156,613	140,979	134,605	120,397
Board of Education	34,771	21,087	34,771	21,087
Administration	694,330	656,533	692,405	652,628
Fiscal	283,732	281,170	279,187	272,444
Operation and Maintenance of Plant	635,355	746,961	531,195	616,740
Pupil Transportation	249,869	171,914	233,672	137,789
Food Service Operations	144,884	132,453	(5,605)	(21,067)
Extracurricular Activities	256,052	247,230	74,438	54,030
Interest and Fiscal Charges	4,491	2,401	4,491	2,401
Total Expenses	\$7,386,871	\$7,228,322	\$5,360,030	\$4,337,005

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 73 percent of expenses are supported through taxes and other general revenues.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District Funds

Information about the School District's major funds starts on page 13. The School District has two major funds; the General Fund, and the Permanent Improvement capital projects fund. The General Fund had \$6,091,112 in revenues and \$6,225,544 in expenditures, and the Permanent Improvement Fund had \$498,292 in revenues and \$296,561 in expenditures. Overall, including other financing sources and uses, the General Fund's balance decreased \$147,864, and the Permanent Improvement Fund's balance increased \$264,172.

General Fund Budgeting Highlights

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

During the course of fiscal 2012 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected increases in intergovernmental revenue and tuition and fees. The actual results of operations were different than budgeted amounts as less tax revenue was realized, and spending in almost all categories was lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012 the School District had \$1,423,344 invested in land, land improvements, buildings and improvements, furniture, equipment and software, and vehicles.

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

Debt

At June 30, 2012, the School District had \$24,636 in energy conservation notes outstanding, with \$12,002 due within one year. The School District also had \$56,326 outstanding in capital leases with \$11,140 due within one year. See Note 14 for more information regarding debt.

Economic Factors

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

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

The School District passed a 3 year, 6 mill emergency levy in May 2006. This levy raised an additional \$519,472, with collections beginning in calendar year 2007, and ending with calendar year 2009 collections, as the levy was not renewed by taxpayers. The School District also implemented additional

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

cost saving measures that enabled the School District to end fiscal year 2012 with a positive General Fund unencumbered cash basis balance.

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

Another significant loss to the School District was the closing of the FirstEnergy R. E. Burger Power Plant. When the School District realizes the full impact of the loss, the School District will lose \$847,661 in tax revenue annually. In an attempt to mitigate the loss, Belmont County and the School District entered into a personal property tax agreement with FirstEnergy. The Agreement calls for FirstEnergy to make five annual decreasing payments based on a percentage of its established annual personal property tax beginning in 2012. See Note 7 for further details.

The School District will continue to monitor and reduce costs due to the reduction of revenue from the State and the loss of the Emergency Levy. See Note 20 for more information.

Contacting the School District's Financial Management

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

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Shadyside Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,069,798
Intergovernmental Receivable	132,036
Property Taxes Receivable	2,133,450
Prepaid Items	25,781
Materials and Supplies Inventory	2,861
Cash and Cash Equivalents with Fiscal Agents	1,372,856
Revenue in Lieu of Taxes Receivable	1,251,844
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	<u>1,381,055</u>
<i>Total Assets</i>	<u>9,411,970</u>
Liabilities	
Accounts Payable	15,507
Accrued Wages and Benefits Payable	552,146
Intergovernmental Payable	155,827
Matured Severance Payable	52,448
Claims Payable	98,501
Deferred Revenue	1,885,437
Long-Term Liabilities:	
Due Within One Year	64,062
Due In More Than One Year	<u>545,387</u>
<i>Total Liabilities</i>	<u>3,369,315</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,342,382
Restricted for:	
Capital Projects	1,447,470
Debt Service	1,500
Bus Purchase	2,126
Federal Programs	61,940
Food Service Operations	5,883
Other Purposes	27,594
Unrestricted	<u>3,153,760</u>
<i>Total Net Assets</i>	<u><u>\$6,042,655</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,987,137	\$1,063,792	\$149,684	\$0	(\$2,773,661)
Special	674,163	0	307,540	0	(366,623)
Vocational	28,715	0	24,887	0	(3,828)
Support Services:					
Pupil	236,759	0	0	0	(236,759)
Instructional Staff	156,613	0	22,008	0	(134,605)
Board of Education	34,771	0	0	0	(34,771)
Administration	694,330	0	1,925	0	(692,405)
Fiscal	283,732	0	4,545	0	(279,187)
Operation and Maintenance of Plant	635,355	50	93,110	11,000	(531,195)
Pupil Transportation	249,869	0	16,197	0	(233,672)
Food Service Operations	144,884	63,967	86,522	0	5,605
Extracurricular Activities	256,052	181,614	0	0	(74,438)
Interest and Fiscal Charges	4,491	0	0	0	(4,491)
<i>Total Governmental Activities</i>	<u>\$7,386,871</u>	<u>\$1,309,423</u>	<u>\$706,418</u>	<u>\$11,000</u>	<u>(5,360,030)</u>
General Revenues					
Property Taxes Levied for General Purposes					1,784,989
Property Taxes Levied for Capital Projects					265,953
Grants and Entitlements not Restricted to Specific Programs					2,626,322
Gifts and Donations					4,751
Investment Earnings					27,921
Miscellaneous					32,670
<i>Total General Revenues</i>					<u>4,742,606</u>
Change in Net Assets					(617,424)
<i>Net Assets Beginning of Year (Restated - Note 3)</i>					<u>6,660,079</u>
<i>Net Assets End of Year</i>					<u>\$6,042,655</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,733,422	\$1,263,444	\$70,806	\$3,067,672
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,126	0	0	2,126
Receivables:				
Property Taxes	1,867,550	265,900	0	2,133,450
Intergovernmental	39,536	0	92,500	132,036
Revenue in Lieu of Taxes	1,099,387	152,457	0	1,251,844
Interfund	3,178	0	0	3,178
Prepaid Items	25,781	0	0	25,781
Materials and Supplies Inventory	1,338	0	1,523	2,861
<i>Total Assets</i>	<u>\$4,772,318</u>	<u>\$1,681,801</u>	<u>\$164,829</u>	<u>\$6,618,948</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$14,160	\$297	\$1,050	\$15,507
Accrued Wages and Benefits	498,979	0	53,167	552,146
Interfund Payable	0	0	3,178	3,178
Intergovernmental Payable	142,384	0	13,443	155,827
Matured Severance Payable	52,448	0	0	52,448
Deferred Revenue	2,952,869	410,398	12,135	3,375,402
<i>Total Liabilities</i>	<u>3,660,840</u>	<u>410,695</u>	<u>82,973</u>	<u>4,154,508</u>
Fund Balances (Deficit)				
Nonspendable:				
Materials and Supplies Inventory	1,338	0	1,523	2,861
Prepaid Items	25,781	0	0	25,781
Restricted for:				
Capital Projects	0	1,271,106	7	1,271,113
Debt Service	0	0	1,500	1,500
Food Service Operations	0	0	4,360	4,360
Bus Purchase	2,126	0	0	2,126
Local Programs	0	0	27,594	27,594
Federal Programs	0	0	49,805	49,805
Assigned to:				
Future Appropriations	786,592	0	0	786,592
Unassigned	295,641	0	(2,933)	292,708
<i>Total Fund Balances</i>	<u>1,111,478</u>	<u>1,271,106</u>	<u>81,856</u>	<u>2,464,440</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,772,318</u>	<u>\$1,681,801</u>	<u>\$164,829</u>	<u>\$6,618,948</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012*

Total Governmental Fund Balances		\$2,464,440
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,423,344
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Grants	12,135	
Tuition and Fees	39,536	
Property Taxes	186,450	
Revenue in Lieu of Taxes	<u>1,251,844</u>	
Total		1,489,965
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,274,355
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Notes	24,636	
Capital Leases	56,326	
Compensated Absences	<u>528,487</u>	
Total		<u>(609,449)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$6,042,655</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,768,701	\$265,249	\$0	\$2,033,950
Intergovernmental	2,651,209	129,069	739,803	3,520,081
Interest	2,960	215	30	3,205
Tuition and Fees	1,096,368	0	0	1,096,368
Extracurricular Activities	69,032	0	112,582	181,614
Rent	50	0	0	50
Gifts and Donations	4,501	11,000	250	15,751
Revenue in Lieu of Taxes	488,615	67,759	0	556,374
Charges for Services	2,006	0	63,967	65,973
Miscellaneous	7,670	25,000	0	32,670
<i>Total Revenues</i>	<u>6,091,112</u>	<u>498,292</u>	<u>916,632</u>	<u>7,506,036</u>
Expenditures				
Current:				
Instruction:				
Regular	3,562,927	61,120	270,661	3,894,708
Special	395,108	1,648	286,485	683,241
Vocational	28,715	0	0	28,715
Support Services:				
Pupil	237,278	0	0	237,278
Instructional Staff	131,951	0	22,188	154,139
Board of Education	34,771	0	0	34,771
Administration	676,564	3,196	0	679,760
Fiscal	274,110	7,547	0	281,657
Operation and Maintenance of Plant	562,748	131,682	20,601	715,031
Pupil Transportation	212,741	20,132	4,106	236,979
Food Service Operations	0	0	149,221	149,221
Extracurricular Activities	108,631	0	112,366	220,997
Capital Outlay	0	62,441	0	62,441
Debt Service:				
Principal Retirement	0	6,115	11,371	17,486
Interest and Fiscal Charges	0	2,680	1,811	4,491
<i>Total Expenditures</i>	<u>6,225,544</u>	<u>296,561</u>	<u>878,810</u>	<u>7,400,915</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(134,432)</u>	<u>201,731</u>	<u>37,822</u>	<u>105,121</u>
Other Financing Sources (Uses)				
Transfers In	0	0	13,432	13,432
Inception of Capital Lease	0	62,441	0	62,441
Transfers Out	(13,432)	0	0	(13,432)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,432)</u>	<u>62,441</u>	<u>13,432</u>	<u>62,441</u>
<i>Net Change in Fund Balances</i>	(147,864)	264,172	51,254	167,562
<i>Fund Balances Beginning of Year</i>	<u>1,259,342</u>	<u>1,006,934</u>	<u>30,602</u>	<u>2,296,878</u>
<i>Fund Balances End of Year</i>	<u>\$1,111,478</u>	<u>\$1,271,106</u>	<u>\$81,856</u>	<u>\$2,464,440</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$167,562

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

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

Purchased Capital Asset Additions	178,804	
Depreciation	(159,732)	
Total		19,072

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

Tuition and Fees	(34,582)	
Grants	(187,341)	
Property Taxes	16,992	
Revenue in Lieu of Taxes	(556,374)	
Total		(761,305)

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

Energy Conservation Notes	11,371	
Capital Leases	6,115	
		17,486

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (62,441)

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

Compensated Absences Payable		39,214
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The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. (37,012)

Changes in Net Assets of Governmental Activities (\$617,424)

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,943,158	\$1,943,158	\$1,800,897	(\$142,261)
Intergovernmental	2,459,657	2,603,561	2,651,209	47,648
Interest	2,751	2,912	2,960	48
Tuition and Fees	999,156	1,058,665	1,096,368	37,703
Extracurricular	63,500	67,247	69,032	1,785
Rent	196	199	50	(149)
Gifts and Donations	71,883	72,127	4,501	(67,626)
Revenue in Lieu of Taxes	488,615	488,615	488,615	0
Charges for Services	1,831	1,940	2,006	66
Miscellaneous	7,008	7,424	7,670	246
<i>Total Revenues</i>	<u>6,037,755</u>	<u>6,245,848</u>	<u>6,123,308</u>	<u>(122,540)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,598,167	3,598,333	3,590,609	7,724
Special	431,252	431,252	409,583	21,669
Vocational	25,337	25,337	28,914	(3,577)
Support Services:				
Pupil	255,720	255,720	241,644	14,076
Instructional Staff	128,465	128,465	131,375	(2,910)
Board of Education	34,244	34,244	31,705	2,539
Administration	695,085	695,085	679,273	15,812
Fiscal	278,199	278,199	274,243	3,956
Operation and Maintenance of Plant	612,136	612,136	598,109	14,027
Pupil Transportation	223,690	223,690	215,494	8,196
Extracurricular Activities	104,575	104,575	109,895	(5,320)
<i>Total Expenditures</i>	<u>6,386,870</u>	<u>6,387,036</u>	<u>6,310,844</u>	<u>76,192</u>
Excess of Revenues Under Expenditures	<u>(349,115)</u>	<u>(141,188)</u>	<u>(187,536)</u>	<u>(46,348)</u>
Other Financing Sources (Uses)				
Sale of Assets	1,500	1,500	0	(1,500)
Transfers Out	(13,295)	(13,295)	(13,432)	(137)
Advances Out	0	0	(3,178)	(3,178)
Total Other Financing Sources (Uses)	<u>(11,795)</u>	<u>(11,795)</u>	<u>(16,610)</u>	<u>(4,815)</u>
<i>Net Change in Fund Balance</i>	<u>(360,910)</u>	<u>(152,983)</u>	<u>(204,146)</u>	<u>(51,163)</u>
<i>Fund Balance Beginning of Year</i>	1,899,092	1,899,092	1,899,092	0
Prior Year Encumbrances Appropriated	<u>19,788</u>	<u>19,788</u>	<u>19,788</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,557,970</u></u>	<u><u>\$1,765,897</u></u>	<u><u>\$1,714,734</u></u>	<u><u>(\$51,163)</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

	Governmental Activity
	Internal Service Fund
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$1,372,856
Current Liabilities	
Claims Payable	98,501
Net Assets	
Unrestricted	1,274,355
<i>Total Net Assets</i>	\$1,274,355

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Operating Revenues	
Charges for Services	\$1,176,805
Other	25,920
	<hr/>
<i>Total Operating Revenues</i>	1,202,725
	<hr/>
Operating Expenses	
Purchased Services	281,738
Claims	982,715
	<hr/>
<i>Total Operating Expenses</i>	1,264,453
	<hr/>
<i>Operating Loss</i>	(61,728)
 Non-Operating Revenues	
Interest	24,716
	<hr/>
<i>Change in Net Assets</i>	(37,012)
 <i>Net Assets Beginning of Year</i>	1,311,367
	<hr/>
<i>Net Assets End of Year</i>	\$1,274,355
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,176,805
Cash Payments for Goods and Services	(281,738)
Cash Payments for Claims	(1,238,522)
Cash Received from Other Operating Revenue	300,774
<i>Net Cash Used in Operating Activities</i>	(42,681)
Cash Flows from Investing Activities	
Interest	24,716
<i>Net Cash Provided by Investing Activities</i>	24,716
<i>Net Decrease in Cash and Cash Equivalents</i>	(17,965)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,390,821
<i>Cash and Cash Equivalents End of Year</i>	\$1,372,856
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(\$61,728)
Increase in Liabilities:	
Claims Payable	19,047
<i>Net Cash Used in Operating Activities</i>	(\$42,681)

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$43,296</u>
<i>Total Assets</i>	<u><u>\$43,296</u></u>
Liabilities	
Due to Students	<u>\$43,296</u>
<i>Total Liabilities</i>	<u><u>\$43,296</u></u>

See accompanying notes to the basic financial statements

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Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

The School District is located in Belmont County. The Board controls the School District's four instructional/support facilities staffed by 16 non-certificated employees, 49 certificated teaching personnel, and 9 administrators who provide services to 853 students and other community members.

On April 12, 2004, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education to avoid a potential deficit in fiscal years 2004 and 2005. The proposal was submitted by the School District on July 1, 2004 and accepted by the Ohio Department of Education on July 7, 2004. The School District submitted an additional proposal on January 21, 2005 and was accepted by the Ohio Department of Education on January 31, 2005 to avoid a potential deficit in fiscal year 2006. See Note 20 for further details.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Shadyside Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is involved with the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are defined as insurance purchasing pools, and the Ohio-Mid Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a risk sharing, claims servicing, and

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shadyside Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Fund Accounting

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

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

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

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

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

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants, entitlements, payments in lieu of taxes and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

E. Cash and Cash Equivalents

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

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2012. 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 net asset value per share which is the price the investment could be sold at June 30, 2012.

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 2012 amounted to \$2,960, which includes \$1,672, assigned from other School District funds.

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

F. Restricted Assets

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

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

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

N. Fund Balance

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

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

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

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local resources to be used for student programs. Of the restricted net assets, none has resulted from enabling legislation.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

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

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Data

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

Changes in Accounting Principles - For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53”. GASB Statement No. 64 was issued to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of this statement did not result in any material change to the School District’s financial statements.

Restatement of Net Assets - The School District restated net assets to reflect the full five year value of the Revenue in Lieu of Taxes Receivable that had been inadvertently reported at a lesser value. The restatement had no effect on fund balance but the following effect on the net assets of the governmental activities.

	Governmental Activities
Governmental Net Assets, June 30, 2011	\$6,242,798
Revenue in Lieu of Taxes Receivable	417,281
Restated Governmental Net Assets, June 30, 2011	\$6,660,079

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$147,864)
Revenue Accruals	32,196
Advances Out	(3,178)
Expenditure Accruals	(64,486)
Encumbrances	<u>(20,814)</u>
Budget Basis	<u><u>(\$204,146)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2012, the School District's internal service fund had a balance of \$1,372,856 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the District's bank balance was \$3,133,634. Of the bank balance \$250,000 was covered by Federal depository insurance and the remaining balance of \$2,883,634 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

As of June 30, 2012, the School District had an investment in STAROhio. The fair value of the investments in STAROhio was \$135,246, and the investment has an average maturity of 52.5 days.

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

Shadyside Local School District
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specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 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 year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which were measurable as of June 30, 2012 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 reflected 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, 2012 was \$53,604 in the General Fund and \$7,959 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2011 was \$85,800 in the General Fund and \$13,118 in the Permanent Improvement Fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

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	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$75,190,340	78.4%	\$69,484,110	90.4%
Public Utility Personal	20,725,660	21.6%	7,399,670	9.6%
	<u>\$95,916,000</u>	<u>100.0%</u>	<u>\$76,883,780</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$35.50		\$35.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, interfund, intergovernmental grants, and revenue in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as receivable in the amount of \$186,450 may not be collected within one year. All other receivables, with the exception of revenue in lieu of taxes addressed below, are expected to be collected within one year. The intergovernmental receivable is as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Excess Costs	\$39,536
Education Jobs Grant	22,122
Title I Grant	39,021
Early Childhood - Preschool Grant	10,777
Title II-D Technology Grant	944
Idea Part B Grant	19,636
	<u>\$132,036</u>

On December 31, 2010 FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the School District. FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the School District, entered into a personal property tax agreement with Belmont County and the School District on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of an established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities that would have received tax revenue from FirstEnergy. The agreement requires five annual payments. The first annual payment was received by the School District during fiscal year 2012. Four annual payments remain, with the final payment being due on February 1, 2016. The total receivable is \$1,251,844, with \$834,563 that will not be collected within one year.

A breakdown of the payments is as follows:

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<u>Fiscal Year</u>	Governmental Funds		
	<u>General Fund</u>	Permanent	
		<u>Improvement Fund</u>	<u>Total</u>
2013	\$366,462	\$50,819	\$417,281
2014	366,462	50,819	417,281
2015	244,308	33,880	278,188
2016	122,154	16,940	139,094
	<u>\$1,099,386</u>	<u>\$152,458</u>	<u>\$1,251,844</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Nondepreciable Capital Assets:				
Land	\$42,289	\$0	\$0	\$42,289
Total Nondepreciable Capital Assets	42,289	0	0	42,289
Depreciable Capital Assets:				
Land Improvements	1,051,402	28,292	0	1,079,694
Buildings and Improvements	3,366,488	35,950	0	3,402,438
Furniture, Equipment and Software	1,870,828	85,547	(56,499)	1,899,876
Vehicles	428,526	29,015	0	457,541
Total Depreciable Capital Assets	6,717,244	178,804	(56,499)	6,839,549
Accumulated Depreciation:				
Land Improvements	(678,055)	(49,140)	0	(727,195)
Buildings and Improvements	(2,779,285)	(42,271)	0	(2,821,556)
Furniture, Equipment and Software	(1,564,171)	(59,690)	56,499	(1,567,362)
Vehicles	(333,750)	(8,631)	0	(342,381)
Total Accumulated Depreciation	(5,355,261)	(159,732)	56,499	(5,458,494)
Total Depreciable Capital Assets, Net	1,361,983	19,072	0	1,381,055
Governmental Capital Assets, Net	<u>\$1,404,272</u>	<u>\$19,072</u>	<u>\$0</u>	<u>\$1,423,344</u>

Depreciation expense was charged to governmental activities as follows:

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Instruction:	
Regular	\$70,587
Special	9,048
Support Services:	
Instructional Staff	564
Administration	10,583
Fiscal	910
Operation and Maintenance of Plant	9,951
Pupil Transportation	11,012
Food Service Operations	2,600
Extracurricular Activities	44,477
Total Depreciation Expense	<u>\$159,732</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012 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 17). The Shadyside Local School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

Building and Contents-replacement cost (\$1,000 deductible)	\$29,725,104
Automotive Liability (\$1,000 deductible)	3,000,000
Uninsured Motorist	1,000,000
<i>General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employer's Liability:</i>	
Each Occurrence	3,000,000

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

Shadyside Local School District
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Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$572.84 for individual coverage per month and \$1,367.41 for family coverage per month which represents 90 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug premiums are \$358.09 per month, 90 percent paid by the Board, and requires a \$5/\$15 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$76.22 per month for family and single coverage and are 90 percent covered by the Board.

The claims liability of \$98,501 reported in the internal service fund at June 30, 2012 is based on an estimate calculated by averaging the past three fiscal year claims payable amounts and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>		<u>Balance at End of Year</u>
2011	\$154,145	\$709,891	\$784,582		\$79,454
2012	79,454	982,715	963,668	(1)	98,501
(1) Cash Payments for Claims			\$1,238,522		
- Stop Loss Received for 2012 Claims			<u>(274,854)</u>		
Claims Payments			<u><u>963,668</u></u>		

Workers' Compensation

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$80,447, \$68,595, and \$102,767, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System

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

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before

Shadyside Local School District
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retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$398,303 and \$15,598 for the fiscal year ended June 30, 2012, \$413,030 and \$15,322 for the fiscal year ended June 30, 2011, and \$389,461 and \$14,598 for the fiscal year ended June 30, 2010. For fiscal year 2012, 79.03 percent has been contributed for the DB plan and 79.03 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$213 made by the School District and \$153 made by the plan members. In addition, member contributions of \$11,141 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$10,624 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,484, \$9,674, and \$4,033, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$4,751, \$5,001, and \$6,130 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$29,493, \$29,337, and \$30,159 respectively. For fiscal year 2012, 79.03 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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

B. Other Insurance Benefits

Life insurance is provided in the amount of \$40,000 for all certified teachers. This benefit shall be double in the event of accidental death. Life insurance is provided in the amount of \$15,000, to classified employees whose salary is less than \$15,000 and \$20,000 to classified employees whose salary is \$15,000 or greater.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2012, the School District has entered into capitalized leases for copying equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$62,441, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$10,408. Principal payments in fiscal year 2012 totaled \$6,115, in the governmental funds.

Future minimum lease payments through fiscal year 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$11,140	\$3,937
2014	12,026	3,051
2015	12,982	2,095
2016	14,014	1,063
2017	6,164	118
Totals	<u>\$56,326</u>	<u>\$10,264</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding			Principal Outstanding	Amounts Due In
	6/30/11	Additions	Deductions	6/30/12	One Year
Energy Conservation Notes	\$36,007	\$0	\$11,371	\$24,636	\$12,002
Capital Leases	0	62,441	6,115	56,326	11,140
Compensated Absences	567,701	72,582	111,796	528,487	40,920
Total General Long-Term Obligations	\$603,708	\$135,023	\$129,282	\$609,449	\$64,062

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

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$12,002	\$1,180	\$13,182
2014	12,634	519	13,153
Total	\$24,636	\$1,699	\$26,335

The School District's overall legal debt margin was \$6,896,404, with an unvoted debt margin of \$76,884 at June 30, 2012.

Compensated absences will be paid from the General Fund, and capital leases will be paid from the Permanent Improvement Fund.

NOTE 15 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2012 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Other Nonmajor Governmental	General Fund
	<u>\$3,178</u>

The loans were made to the Miscellaneous State Grant Fund and the Miscellaneous Federal Grant Fund in the amounts of \$2,234, and \$944, respectively. The loans were made to support the programs until grant monies are received to operate the programs.

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2012, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2012, the total amount paid to OME-RESA from the School District was \$79,149 for cooperative gas purchasing services, \$12,378 for technology services and \$16,477 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District’s membership fee was \$325 for fiscal year 2012.

Educational Regional Service System Region 12 (ERSS) – The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

NOTE 17 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

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

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

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

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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 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.

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	163,663
Current Year Offsets	<u>(338,167)</u>
Totals	<u><u>(\$174,504)</u></u>
Balance Carried Forward to Fiscal Year 2013	<u><u>\$0</u></u>
Set-aside Restricted Balance as of June 30, 2012	<u><u>\$0</u></u>

The School District had current year offsets which reduced the set-aside amount to below zero for the capital maintenance set-aside, which may not be carried forward to future years.

NOTE 19 – CONTINGENCIES

A. Litigation

The School District is not currently party to any legal proceedings.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Statewide Review of Student Attendance Data and Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 20 – FINANCIAL DIFFICULTIES

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

The School District implemented an expenditure reduction plan during fiscal year 2005 which included a reduction in force as well as a pay freeze. The School District submitted an additional expenditure reduction plan for fiscal year 2006 which included additional reductions in salary costs through attrition. The School District passed a 3 year, 6 mill emergency levy in May 2006. This levy raised an additional \$519,472 per year, with collections beginning in calendar year 2007. The Renewal of the Emergency Levy was defeated by the taxpayers, which resulted in the levy ceasing to be collected in calendar year 2010.

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

In a continuing effort to reduce costs, the School District reduced staff by two employees for fiscal year 2012, and will not replace four retiree positions for fiscal year 2013. The Board of Education has approved changes to the current insurance plan, which intends to reduce costs by increasing deductibles, co-pays and other out of pocket costs, effective January 1, 2013

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

NOTE 21 – SUBSEQUENT EVENTS

A. Approval of Negotiated Agreement

On August 14, 2012, the Board of Education voted to approve a new labor agreement with the certificated staff represented by the Shadyside Education Association. The two year contract is effective July 1, 2012 through June 30, 2014.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Ongoing Contract Negotiations

On January 15, 2013, the Board of Education voted to approve a new labor agreement with the classified staff represented by the Ohio Association of Public School Employees. The two year contract is effective September 1, 2012 through August 31, 2014.

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**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$2,377	\$2,377
Cash Assistance:				
School Breakfast Program	046003-05PU-12	10.553	17,665	17,665
National School Lunch Program	046003-LLP4-12	10.555	64,587	64,587
Cash Assistance Subtotal			<u>82,252</u>	<u>82,252</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster			84,629	84,629
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	046003-C1S1-11	84.010		1,896
	046003-C1S1-12		113,897	105,897
Title I Grants to Local Educational Agencies Subtotal			<u>113,897</u>	<u>107,793</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	046003-11	84.389	8,422	
Total Title I, Part A Cluster			122,319	107,793
Special Education Cluster (IDEA)				
Special Education, Grants to States (IDEA, Part B)	046003-6BSF-12	84.027	143,919	134,962
ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act	046003-11	84.391	4,632	7,884
Total Special Education Cluster (IDEA)			148,551	142,846
Education Technology State Grants	046003-TJS1-12	84.318		944
Improving Teacher Quality State Grants	046003-TRS1-12	84.367	37,596	37,596
Education Jobs Fund	046003-12	84.410	162,882	162,882
Total U.S. Department of Education			<u>471,348</u>	<u>452,061</u>
Total Federal Awards Receipts and Expenditures			<u>\$555,977</u>	<u>\$536,690</u>

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

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 17, 2013, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to a projected General Fund deficit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 17, 2013.

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



Dave Yost
Auditor of State

January 17, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Shadyside Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

As described in Finding 2012-01 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its Title I, Part A Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-01 to be a material weakness.

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

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



Dave Yost
Auditor of State

January 17, 2013

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for all major programs except for the Cash Management requirement applicable to the Title I, Part A Cluster, which we qualified.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs Fund CFDA #84.410 Title I, Part A Cluster CFDA #84.010 and #84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)

3. FINDING FOR FEDERAL AWARDS

Finding Number	2012-01
CFDA Title and Number	Title I, Part A Cluster, CFDA #84.010 and 84.389
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

34 CFR 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Title I grant, seven of the eight drawdowns were not spent within the period of time for which cash was requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

Officials' Response and Corrective Action Plan: The Treasurer will review all procedures and complete a Grant Webinar to review procedures. The issue has occurred due to insurance costs not being posted on a monthly basis. If those costs were posted monthly then we would have not had positive balances. Our corrective action will have to be to only request funds to cover the negative amounts. Therefore, the positive balance will not occur.

Responsible contact person – Melissa Visnic, Treasurer; Anticipated completion date – June 30, 2013

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Section 5506 of the Elementary and Secondary Education Act of 1965 (ESEA) regarding matching requirements for a School District grant.	N/A	Finding No Longer Valid-Grant Expired.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 21, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2013



Dave Yost • Auditor of State

SHADYSIDE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2013