



Dave Yost • Auditor of State



**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

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.

As discussed in Note 3 to the basic financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 27, 2013

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**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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The discussion and analysis of the Shadyside Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- In total, net position decreased \$491,032 due primarily to decreases in cash and cash equivalents, intergovernmental receivables, and revenue in lieu of taxes receivable, which were slightly offset by decreases in accrued wages and benefits payable due to changes in the School District's healthcare plan document.
- General revenues accounted for \$4,422,753 in revenue or approximately 67 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,203,777 or approximately 33 percent of total revenues of \$6,626,530.
- Total assets of governmental activities decreased \$610,906 primarily due to decreases in cash and cash equivalents, intergovernmental receivable, and revenue in lieu of taxes receivable.
- The School District had \$7,117,562 in expenses related to governmental activities; only \$2,203,777 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$4,422,753 were not adequate to provide for these programs.
- Total governmental funds had \$7,060,045 in revenues and \$7,133,103 in expenditures. The net change in governmental fund balances, including transfers, was a decrease of \$73,058.

### **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 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 Position 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, 2013  
Unaudited

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

*Statement of Net Position 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 2013?" The Statement of Net Position 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 position and changes in those assets. This change in net position 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 Position 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 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude 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 Position 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, 2013  
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

**Table 1**  
**Net Position**  
**Governmental Activities**

	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$7,386,531	\$7,988,626	(\$602,095)
Capital Assets	1,414,533	1,423,344	(8,811)
<b>Total Assets</b>	<b>8,801,064</b>	<b>9,411,970</b>	<b>(610,906)</b>
<b>Liabilities</b>			
Long-Term Liabilities	597,793	609,449	(11,656)
Other Liabilities	774,112	874,429	(100,317)
<b>Total Liabilities</b>	<b>1,371,905</b>	<b>1,483,878</b>	<b>(111,973)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	1,877,536	1,885,437	(7,901)
<b>Net Position</b>			
Net Investment in Capital Assets	1,356,713	1,342,382	14,331
Restricted	1,569,754	1,546,513	23,241
Unrestricted	2,625,156	3,153,760	(528,604)
<b>Total Net Position</b>	<b>\$5,551,623</b>	<b>\$6,042,655</b>	<b>(\$491,032)</b>

Total assets of governmental activities decreased \$610,906 due primarily to decreases in cash and cash equivalents, as well as decreases in intergovernmental receivables related to overall decreases in federal grant funding. Revenue in lieu of taxes receivable decreased as a result of the agreement with FirstEnergy Generation Corporation. The School District entered into the agreement during fiscal year 2011, which requires five annual, proportionally decreasing, payments. The first payment was received in fiscal year 2012 and three annual payments remain outstanding at June 30, 2013. See Note 7 for further details.

Total liabilities decreased \$111,973 due primarily to a decrease in accrued wages and benefits as a result of the School District accruing one less pay period for fiscal year 2013, as well as a decrease in accrued health insurance benefits as a result of plan changes that were implemented during the fiscal year. The decreases were offset slightly by increases in claims payable, and intergovernmental payables related to the School District's excess cost liability.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,529,571	\$1,309,423	\$220,148
Operating Grants and Contributions	651,756	706,418	(54,662)
Capital Grants and Contributions	22,450	11,000	11,450
Total Program Revenues	2,203,777	2,026,841	176,936
General Revenues			
Property Taxes	1,822,475	2,050,942	(228,467)
Grants and Entitlements not Restricted to Specific Programs	2,571,590	2,626,322	(54,732)
Others	28,688	65,342	(36,654)
Total General Revenues	4,422,753	4,742,606	(319,853)
<b>Total Revenues</b>	<b>6,626,530</b>	<b>6,769,447</b>	<b>(142,917)</b>
<b>Program Expenses</b>			
Instruction			
Regular	3,513,658	3,987,137	(473,479)
Special	843,211	674,163	169,048
Vocational	11,835	28,715	(16,880)
Support Services			
Pupil	158,664	236,759	(78,095)
Instructional Staff	168,912	156,613	12,299
Board of Education	22,973	34,771	(11,798)
Administration	736,578	694,330	42,248
Fiscal	296,585	283,732	12,853
Operation and Maintenance of Plant	685,775	635,355	50,420
Pupil Transportation	256,053	249,869	6,184
Food Service Operations	142,375	144,884	(2,509)
Extracurricular Activities	275,826	256,052	19,774
Interest and Fiscal Charges	5,117	4,491	626
<b>Total Expenses</b>	<b>7,117,562</b>	<b>7,386,871</b>	<b>(269,309)</b>
<b>Decrease in Net Position</b>	(491,032)	(617,424)	126,392
Net Position Beginning of Year	6,042,655	6,660,079	(617,424)
<b>Net Position End of Year</b>	<b>\$5,551,623</b>	<b>\$6,042,655</b>	<b>(\$491,032)</b>

In 2013 program revenues increased due primarily to an increase in charges for services as a result of increased tuition and fees for open enrollment.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Program revenues accounted for approximately 33 percent of the School District's revenues in fiscal year 2013. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and capital contributions and donations.

Instructional programs comprise approximately 61 percent of total governmental program expenses. Of the instructional expenses, approximately 80 percent is for regular instruction, approximately 19 percent for special instruction, and approximately 1 percent for vocational instruction. Overall expenses reflect a decrease of \$269,309. The decrease is reflected mostly in regular instruction primarily due to decreased health insurance expenses and a decrease in accrued wages, which were offset slightly by increases in special instruction expense.

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 2013 and 2012. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Instruction				
Regular	\$3,513,658	\$3,987,137	\$2,127,582	\$2,773,661
Special	843,211	674,163	538,261	366,623
Vocational	11,835	28,715	(13,052)	3,828
Support Services				
Pupil	158,664	236,759	158,664	236,759
Instructional Staff	168,912	156,613	140,670	134,605
Board of Education	22,973	34,771	22,973	34,771
Administration	736,578	694,330	735,658	692,405
Fiscal	296,585	283,732	294,402	279,187
Operation and Maintenance of Plant	685,775	635,355	608,208	531,195
Pupil Transportation	256,053	249,869	247,591	233,672
Food Service Operations	142,375	144,884	(1,324)	(5,605)
Extracurricular Activities	275,826	256,052	49,035	74,438
Interest and Fiscal Charges	5,117	4,491	5,117	4,491
<b>Total Expenses</b>	<b>\$7,117,562</b>	<b>\$7,386,871</b>	<b>\$4,913,785</b>	<b>\$5,360,030</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 69 percent of expenses are supported through taxes and other general revenues.

**The School District Funds**

Information about the School District's major funds starts on page 15. The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$5,951,482 in revenues and \$6,074,473 in expenditures, and the Permanent Improvement Fund had \$365,712 in revenues and \$255,576 in expenditures. Overall, including other financing uses, the General Fund's balance decreased \$136,173, and the Permanent Improvement Fund's balance increased \$110,136.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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***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 2013 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 more intergovernmental revenue, and tuition and fees were realized. Spending in almost all categories was lower than budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013 the School District had \$1,414,533 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, 2013, the School District had \$12,634 in energy conservation notes outstanding and due within one year. The School District also had \$45,186 outstanding in capital leases with \$12,026 due within one year. See Note 14 for more information regarding debt.

**Economic Factors**

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

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

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 approved an additional expenditure reduction plan that was effective for fiscal year 2011. For fiscal year 2012, the School District reduced staff by two employees.

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.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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As the School District continues to face the constraints of limited state funding as well as a declining tax base, the Board of Education placed another 5 Year Emergency Levy on the November 5, 2013 ballot. This levy passed and is estimated to raise an additional \$365,000 for the School District yearly. During the 2012 and 2013 school year, the School District has continued to implement cost saving techniques through retirements, attrition, combining positions, as well as changing health insurance plan documents to reduce overall costs. For more information see Financial Difficulties Note 20 and Subsequent Event Note 21.

**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 Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,901,896
Intergovernmental Receivable	89,373
Property Taxes Receivable	2,103,548
Prepaid Items	30,858
Materials and Supplies Inventory	2,678
Cash and Cash Equivalents with Fiscal Agents	1,423,615
Revenue in Lieu of Taxes Receivable	834,563
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	<u>1,372,244</u>
<i>Total Assets</i>	<u>8,801,064</u>
<b>Liabilities</b>	
Accounts Payable	25,625
Accrued Wages and Benefits Payable	390,803
Intergovernmental Payable	213,019
Matured Severance Payable	27,633
Claims Payable	117,032
Long-Term Liabilities:	
Due Within One Year	81,918
Due In More Than One Year	<u>515,875</u>
<i>Total Liabilities</i>	<u>1,371,905</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	<u>1,877,536</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,356,713
Restricted for:	
Capital Projects	1,500,543
Debt Service	1,500
Bus Purchase	2,126
Federal Programs	14,128
Food Service Operations	8,835
Other Purposes	42,622
Unrestricted	<u>2,625,156</u>
<i>Total Net Position</i>	<u><u>\$5,551,623</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,513,658	\$1,254,383	\$131,693	\$0	(\$2,127,582)
Special	843,211	0	304,950	0	(538,261)
Vocational	11,835	0	24,887	0	13,052
Support Services:					
Pupil	158,664	0	0	0	(158,664)
Instructional Staff	168,912	0	28,242	0	(140,670)
Board of Education	22,973	0	0	0	(22,973)
Administration	736,578	0	920	0	(735,658)
Fiscal	296,585	0	2,183	0	(294,402)
Operation and Maintenance of Plant	685,775	0	77,567	0	(608,208)
Pupil Transportation	256,053	0	8,462	0	(247,591)
Food Service Operations	142,375	58,397	72,852	12,450	1,324
Extracurricular Activities	275,826	216,791	0	10,000	(49,035)
Interest and Fiscal Charges	5,117	0	0	0	(5,117)
<i>Total Governmental Activities</i>	<u>\$7,117,562</u>	<u>\$1,529,571</u>	<u>\$651,756</u>	<u>\$22,450</u>	<u>(4,913,785)</u>

**General Revenues**

Property Taxes Levied for General Purposes	1,597,353
Property Taxes Levied for Capital Projects	225,122
Grants and Entitlements not Restricted to Specific Programs	2,571,590
Gifts and Donations	7,437
Investment Earnings	11,823
Miscellaneous	9,428
<i>Total General Revenues</i>	<u>4,422,753</u>
Change in Net Position	(491,032)
<i>Net Position Beginning of Year</i>	<u>6,042,655</u>
<i>Net Position End of Year</i>	<u><u>\$5,551,623</u></u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,451,020	\$1,375,411	\$73,339	\$2,899,770
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,126	0	0	2,126
Receivables:				
Property Taxes	1,850,793	252,755	0	2,103,548
Intergovernmental	28,732	0	60,641	89,373
Revenue in Lieu of Taxes	732,924	101,639	0	834,563
Interfund	10,719	0	0	10,719
Prepaid Items	30,858	0	0	30,858
Materials and Supplies Inventory	1,338	0	1,340	2,678
<i>Total Assets</i>	<u>\$4,108,510</u>	<u>\$1,729,805</u>	<u>\$135,320</u>	<u>\$5,973,635</u>
<b>Liabilities</b>				
Accounts Payable	\$15,640	\$4,138	\$5,847	\$25,625
Accrued Wages and Benefits	348,471	0	42,332	390,803
Interfund Payable	0	0	10,719	10,719
Intergovernmental Payable	200,607	0	12,412	213,019
Matured Severance Payable	27,633	0	0	27,633
<i>Total Liabilities</i>	<u>592,351</u>	<u>4,138</u>	<u>71,310</u>	<u>667,799</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	1,652,405	225,131	0	1,877,536
Unavailable Revenue	888,449	119,294	29,175	1,036,918
<i>Total Deferred Inflows of Resources</i>	<u>2,540,854</u>	<u>344,425</u>	<u>29,175</u>	<u>2,914,454</u>
<b>Fund Balances (Deficit)</b>				
Nonspendable:				
Materials and Supplies Inventory	1,338	0	1,340	2,678
Prepaid Items	30,858	0	0	30,858
Restricted for:				
Capital Projects	0	1,381,242	7	1,381,249
Debt Service	0	0	1,500	1,500
Food Service Operations	0	0	7,495	7,495
Bus Purchase	2,126	0	0	2,126
Local Programs	0	0	42,622	42,622
Assigned to:				
Future Appropriations	505,042	0	0	505,042
Unassigned	435,941	0	(18,129)	417,812
<i>Total Fund Balances</i>	<u>975,305</u>	<u>1,381,242</u>	<u>34,835</u>	<u>2,391,382</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,108,510</u>	<u>\$1,729,805</u>	<u>\$135,320</u>	<u>\$5,973,635</u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2013*

**Total Governmental Fund Balances** \$2,391,382

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 1,414,533

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

Grants	29,175
Tuition and Fees	28,732
Property Taxes	144,448
Revenue in Lieu of Taxes	<u>834,563</u>

Total 1,036,918

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 position. 1,306,583

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

Energy Conservation Notes	12,634
Capital Leases	45,186
Compensated Absences	<u>539,973</u>

Total (597,793)

*Net Position of Governmental Activities* \$5,551,623

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, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,633,110	\$231,367	\$0	\$1,864,477
Intergovernmental	2,596,477	83,971	538,308	3,218,756
Interest	1,991	300	0	2,291
Tuition and Fees	1,255,102	0	0	1,255,102
Extracurricular Activities	74,215	0	142,576	216,791
Gifts and Donations	3,867	0	3,570	7,437
Revenue in Lieu of Taxes	367,207	50,074	0	417,281
Charges for Services	10,085	0	58,397	68,482
Miscellaneous	9,428	0	0	9,428
<i>Total Revenues</i>	<u>5,951,482</u>	<u>365,712</u>	<u>742,851</u>	<u>7,060,045</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,337,079	40,157	143,658	3,520,894
Special	513,713	833	327,729	842,275
Vocational	30,236	0	0	30,236
Support Services:				
Pupil	169,193	0	0	169,193
Instructional Staff	136,033	0	28,274	164,307
Board of Education	22,973	0	0	22,973
Administration	697,636	2,626	0	700,262
Fiscal	276,160	6,229	0	282,389
Operation and Maintenance of Plant	570,581	174,773	16,349	761,703
Pupil Transportation	225,067	15,037	3,197	243,301
Food Service Operations	0	0	140,747	140,747
Extracurricular Activities	95,802	0	129,918	225,720
Capital Outlay	0	844	0	844
Debt Service:				
Principal Retirement	0	11,140	12,002	23,142
Interest and Fiscal Charges	0	3,937	1,180	5,117
<i>Total Expenditures</i>	<u>6,074,473</u>	<u>255,576</u>	<u>803,054</u>	<u>7,133,103</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(122,991)</u>	<u>110,136</u>	<u>(60,203)</u>	<u>(73,058)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	13,182	13,182
Transfers Out	(13,182)	0	0	(13,182)
Total Other Financing Sources (Uses)	<u>(13,182)</u>	<u>0</u>	<u>13,182</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(136,173)	110,136	(47,021)	(73,058)
<i>Fund Balances Beginning of Year</i>	<u>1,111,478</u>	<u>1,271,106</u>	<u>81,856</u>	<u>2,464,440</u>
<i>Fund Balances End of Year</i>	<u>\$975,305</u>	<u>\$1,381,242</u>	<u>\$34,835</u>	<u>\$2,391,382</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, 2013*

**Net Change in Fund Balances - Total Governmental Funds** (\$73,058)

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

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

Purchased Capital Asset Additions	158,135	
Depreciation	(175,702)	
Total	(17,567)	(17,567)

Capital contributions of assets that are not reported in the funds, but are additions to capital assets on the entity wide statements. 10,000

Capital Assets removed from the capital asset account on the statement of net position results in a gain or loss on disposal of capital assets on the statement of activities (1,244)

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

Grants	17,040	
Tuition and Fees	(10,804)	
Property Taxes	(42,002)	
Revenue in Lieu of Taxes	(417,281)	
Total	(453,047)	(453,047)

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

Energy Conservation Notes	12,002	
Capital Leases	11,140	
	23,142	23,142

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. (11,486)

Compensated Absences Payable

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. 32,228

*Change in Net Position of Governmental Activities* (\$491,032)

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, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,705,000	\$1,705,000	\$1,615,119	(\$89,881)
Intergovernmental	2,320,813	2,525,562	2,596,477	70,915
Interest	2,789	2,946	1,991	(955)
Tuition and Fees	1,116,958	1,215,931	1,255,102	39,171
Extracurricular	62,270	68,917	74,215	5,298
Gifts and Donations	18,664	18,969	3,867	(15,102)
Revenue in Lieu of Taxes	366,462	366,462	367,207	745
Charges for Services	7,000	7,000	10,085	3,085
Miscellaneous	7,882	8,608	9,428	820
<i>Total Revenues</i>	<u>5,607,838</u>	<u>5,919,395</u>	<u>5,933,491</u>	<u>14,096</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,529,316	3,599,015	3,483,259	115,756
Special	482,359	504,719	476,209	28,510
Vocational	14,299	14,299	33,687	(19,388)
Support Services:				
Pupil	189,799	189,799	179,540	10,259
Instructional Staff	142,359	142,359	142,725	(366)
Board of Education	34,400	34,400	27,618	6,782
Administration	758,691	758,691	717,293	41,398
Fiscal	279,883	279,883	283,157	(3,274)
Operation and Maintenance of Plant	636,318	632,818	578,454	54,364
Pupil Transportation	232,586	232,586	231,464	1,122
Extracurricular Activities	100,222	100,222	99,323	899
<i>Total Expenditures</i>	<u>6,400,232</u>	<u>6,488,791</u>	<u>6,252,729</u>	<u>236,062</u>
Excess of Revenues Under Expenditures	<u>(792,394)</u>	<u>(569,396)</u>	<u>(319,238)</u>	<u>250,158</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	3,178	3,178
Transfers Out	(15,012)	(15,012)	(13,182)	1,830
Total Other Financing Sources (Uses)	<u>(15,012)</u>	<u>(15,012)</u>	<u>(10,004)</u>	<u>5,008</u>
<i>Net Change in Fund Balance</i>	(807,406)	(584,408)	(329,242)	255,166
<i>Fund Balance Beginning of Year</i>	1,714,734	1,714,734	1,714,734	0
Prior Year Encumbrances Appropriated	<u>20,814</u>	<u>20,814</u>	<u>20,814</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$928,142</u>	<u>\$1,151,140</u>	<u>\$1,406,306</u>	<u>\$255,166</u>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2013*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$1,423,615
<b>Current Liabilities</b>	
Claims Payable	117,032
<b>Net Position</b>	
Unrestricted	1,306,583
<i>Total Net Position</i>	<i>\$1,306,583</i>

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$1,268,741
Other	34,930
<i>Total Operating Revenues</i>	1,303,671
<b>Operating Expenses</b>	
Purchased Services	303,348
Claims	977,627
<i>Total Operating Expenses</i>	1,280,975
<i>Operating Income</i>	22,696
<b>Non-Operating Revenues</b>	
Interest	9,532
<i>Change in Net Position</i>	32,228
<i>Net Position Beginning of Year</i>	1,274,355
<i>Net Position End of Year</i>	\$1,306,583

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, 2013*

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,268,741
Cash Payments for Goods and Services	(303,348)
Cash Payments for Claims	(1,039,714)
Cash Received from Other Operating Revenue	115,548
<i>Net Cash Provided by Operating Activities</i>	41,227
<b>Cash Flows from Investing Activities</b>	
Interest	9,532
<i>Net Cash Provided by Investing Activities</i>	9,532
<i>Net Increase in Cash and Cash Equivalents</i>	50,759
<i>Cash and Cash Equivalents Beginning of Year</i>	1,372,856
<i>Cash and Cash Equivalents End of Year</i>	\$1,423,615
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$22,696
Increase in Claims Payable	18,531
<i>Net Cash Provided by Operating Activities</i>	\$41,227

See accompanying notes to the basic financial statements

**Shadyside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2013*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$39,944</u>
<i>Total Assets</i>	<u><u>\$39,944</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$39,944</u>
<i>Total Liabilities</i>	<u><u>\$39,944</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, 2013

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

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

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

The School District is located in Belmont County. The Board controls the School District’s four instructional/support facilities staff by 20 non-certificated employees, 50 certificated teaching personnel, and 9 administrators who provide services to 854 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 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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 Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio-Mid Eastern Regional Educational Service Agency Self-Insurance Plan,

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

**B. Fund Accounting**

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

### **C. Measurement Focus**

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 outflows/inflows of resources, 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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, revenue in lieu of taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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 (STAR Ohio) during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio’s net asset value per share which is the price the investment could be sold at June 30, 2013.

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 2013 amounted to \$1,991, which includes \$1,262, 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, 2013, 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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.

**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 position 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 back trending (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, Equipment and Software	5-20 Years
Vehicles	5-20 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 Position.

**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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

**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. Internal Activity**

Transfers within government activities on the government-wide financial 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).

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified 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. The amount assigned in the General Fund represents fiscal year 2014 appropriations that exceed estimated resources. State Statute authorizes the Board of Education to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

**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 Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes include local resources to be used for student programs.

**Shadyside Local School District**  
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The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**P. Operating Revenues and Expenses**

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

**Q. Extraordinary and Special Items**

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

**R. Estimates**

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

**S. Budgetary Data**

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including 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, 2013

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66 “Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

**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 Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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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.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$136,173)
Revenue Accruals	(17,991)
Advances In	3,178
Expenditure Accruals	(120,697)
Encumbrances	<u>(57,559)</u>
Budget Basis	<u><u>(\$329,242)</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:

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio);
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, 2013, the School District's internal service fund had a balance of \$1,423,615 with Jefferson Health Plan Self-Insurance Plan, 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 Jefferson Health Plan 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 Jefferson Health Plan 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 \$2,851,277. Of the bank balance \$250,000 was covered by Federal depository insurance and the remaining balance of \$2,601,277 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.

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Notes to the Basic Financial Statements  
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Investments

As of June 30, 2013, the School District had an investment in STAR Ohio. The fair value of the investments in STAR Ohio was \$135,350, and the investment has an average maturity of 57.5 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 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.** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio 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.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements  
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Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$71,595 in the General Fund and \$9,969 in the Permanent Improvement Fund. 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.

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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$69,484,110	90.4%	\$74,838,950	92.1%
Public Utility Personal	7,399,670	9.6%	6,449,110	7.9%
	<u>\$76,883,780</u>	<u>100.0%</u>	<u>\$81,288,060</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$35.50		\$35.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, tuition and fees, 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 \$144,448 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:

<b><u>Governmental Activities</u></b>	<u>Amount</u>
Excess Costs	\$28,732
Title I Grant	38,305
Early Childhood - Preschool Grant	17,388
Title II-A Improving Teacher Quality Grant	4,948
	<u>\$89,373</u>

**Shadyside Local School District**  
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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 two annual payments have been received by the School District. Three annual payments remain, with the final payment being due on February 1, 2016. The total receivable is \$834,563, with \$417,282 that will not be collected within one year.

A breakdown of the payments is as follows:

Fiscal Year	Governmental Funds		Total
	General Fund	Permanent Improvement Fund	
2014	\$366,462	\$50,819	\$417,281
2015	244,308	33,880	278,188
2016	122,154	16,940	139,094
	\$732,924	\$101,639	\$834,563

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
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	1,079,694	16,596	0	1,096,290
Buildings and Improvements	3,402,438	59,556	0	3,461,994
Furniture, Equipment and Software	1,899,876	71,458	(50,088)	1,921,246
Vehicles	457,541	20,525	(13,115)	464,951
Total Depreciable Capital Assets	6,839,549	168,135	(63,203)	6,944,481
Accumulated Depreciation:				
Land Improvements	(727,195)	(51,932)	0	(779,127)
Buildings and Improvements	(2,821,556)	(43,723)	0	(2,865,279)
Furniture, Equipment and Software	(1,567,362)	(68,225)	50,088	(1,585,499)
Vehicles	(342,381)	(11,822)	11,871	(342,332)
Total Accumulated Depreciation	(5,458,494)	(175,702)	61,959	(5,572,237)
Total Depreciable Capital Assets, Net	1,381,055	(7,567)	(1,244)	1,372,244
Governmental Capital Assets, Net	\$1,423,344	(\$7,567)	(\$1,244)	\$1,414,533

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$77,781
Special	9,240
Vocational	710
Support Services:	
Instructional Staff	564
Administration	11,316
Fiscal	910
Operation and Maintenance of Plant	15,202
Pupil Transportation	11,207
Food Service Operations	2,664
Extracurricular Activities	46,108
Total Depreciation Expense	<u>\$175,702</u>

**NOTE 9 - RISK MANAGEMENT**

**A. Insurance**

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 2013 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 School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

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Notes to the Basic Financial Statements  
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Building and Contents-replacement cost (\$1,000 deductible)	\$30,170,980
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.

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 Jefferson Health Plan 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. The Board pays 90 percent of the premium for medical/surgical and prescription drug coverage. The Board's share of the premium for this coverage was \$928.31 for single and \$1,762.38 for family as of July 1, 2012. Effective January 1, 2013 the Board's share of the premium for medical/surgical and prescription drug coverage is \$560.70 for single and \$1,362.06 for family, with the Board's share remaining at 90 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. The Board also pays 90 percent of the premiums for dental coverage. The Board's share of the premium for this coverage was \$76.22 for single and family coverage as of July 1, 2012. Effective January 1, 2013 the Board's share of the premium for dental coverage is \$71.19 for single and \$175.64 for family coverage, with the Board's share remaining at 90 percent of the total premium.

The claims liability of \$117,032 reported in the internal service fund at June 30, 2013 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:

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	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$79,454	\$982,715	\$963,668	\$98,501
2013	98,501	977,627	959,096 (1)	117,032
(1) Cash Payments for Claims			\$1,039,714	
- Stop Loss Received for 2013 Claims			(80,618)	
Claims Payments			<u>\$959,096</u>	

**B. Workers' Compensation**

For fiscal year 2013, 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. CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**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](http://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, 2013, the allocation to pension was 13.05 percent. The remaining 0.95 percent of the 14 percent employer contribution rate is allocated to the Death Benefits, Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$85,162, \$80,447, and \$68,595, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**B. State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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 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, 2013, 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 2012, 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 \$398,325 and \$6,777 for the fiscal year ended June 30, 2013, \$398,303 and \$15,598 for the fiscal year ended June 30, 2012, and \$413,030 and \$15,322 for the fiscal year ended June 30, 2011. For fiscal year 2013, 76.16 percent has been contributed for the DB plan and 76.16 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 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$526 made by the School District and \$376 made by the plan members. In addition, member contributions of \$4,840 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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, 2013, 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, Medicare Advantage, 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](http://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 Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$35,800. During fiscal year 2013, the School District paid \$14,369 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, 2013, 2012, and 2011 were \$1,040, \$3,484, and \$9,674, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$4,811, \$4,751, and \$5,001 respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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](http://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 2013, 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, 2013, 2012, and 2011 were \$28,214, \$29,493, and \$29,337 respectively. For fiscal year 2013, 76.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for certified employees hired prior to August 1, 2012, all certified employees hired after August 1, 2012 may accumulate a maximum of 240 days. Classified employees may accumulate a maximum sick leave balance of 250.

For certified employees hired prior to August 1, 2012, 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.

The prorated factor will then be multiplied by the 30 percent/30 years, (formula as stated above).

For certified employees hired after August 1, 2012, upon retirement, payment is made for 27.5 percent of accumulated sick leave at 30 years; 26.5 percent of accumulated sick leave at 31 years, 25.5 percent of accumulated unused sick leave at 32 years; 24.5 percent of accumulated sick leave at 33 years; 23.5 percent of accumulated sick leave at 34 years; and 22.5 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.

The 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**B. Other Insurance Benefits**

Life insurance is provided in the amount of \$40,000 for all certified teachers; \$15,000 for classified employees whose salary is less than \$15,000; and \$20,000 for classified employees whose salary is \$15,000 or more.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District has entered into capitalized leases for copying equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance 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 future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$39,548. Principal payments in fiscal year 2013 totaled \$11,140, 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>
2014	\$12,026	\$3,051
2015	12,982	2,095
2016	14,014	1,063
2017	6,164	118
Totals	<u>\$45,186</u>	<u>\$6,327</u>

**NOTE 14 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	<u>Principal Outstanding 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/13</u>	<u>Amounts Due In One Year</u>
Energy Conservation Notes	\$24,636	\$0	\$12,002	\$12,634	\$12,634
Capital Leases	56,326	0	11,140	45,186	12,026
Compensated Absences	528,487	79,249	67,763	539,973	57,258
Total General Long-Term Obligations	<u>\$609,449</u>	<u>\$79,249</u>	<u>\$90,905</u>	<u>\$597,793</u>	<u>\$81,918</u>

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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$12,634	\$519	\$13,153

The School District’s overall legal debt margin was \$7,304,791, with an unvoted debt margin of \$81,288 at June 30, 2013.

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, 2013 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable General Fund</u>
Other Nonmajor Governmental	\$10,719

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

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers from General Fund</u>	<u>Transfers to Other Non-major Governmental</u>
	\$13,182

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 2013, the School District made no contributions to the Belmont-Harrison 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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*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 exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the total amount paid to OME-RESA from the School District was \$613 for cooperative gas purchasing service administrative fees, \$12,378 for technology services and \$16,896 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 Coalition 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 Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2013.

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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. The School District's enrollment fee of \$2,115 for policy year 2013 was paid to CompManagement, Inc.

*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 Jefferson Health Plan Self-Insurance Plan* – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, 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 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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, 2012	\$0
Current Year Set-aside Requirement	149,093
Current Year Offsets	<u>(279,431)</u>
Totals	<u>(\$130,338)</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2013	<u>\$0</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. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

**B. Litigation**

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

**NOTE 20 – FINANCIAL DIFFICULTIES**

The 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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The Renewal of the Emergency Levy was defeated by the taxpayers, which resulted in the levy ceasing to be collected following calendar year 2009.

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.

During fiscal year 2013, Board approved changes to the insurance plan took effect, which reduced costs by increasing deductibles, co-pays, and other out of pocket costs. As another step to control costs, the School District consolidated the position of superintendent and high school principal for the 2013-2014 school year.

The School District must continue to monitor finances in order to maintain financial stability, and in order to better insure their ability to do so, the School District will be placing an emergency levy on the November 5, 2013 ballot. See Subsequent Event Note 21 for more details.

**NOTE 21 – SUBSEQUENT EVENTS**

**A. Emergency Operating Levy**

On July 16, 2013, the Board of Education approved a resolution to proceed with placing a 4.61 mill emergency operating levy on the November 5, 2013 ballot. The levy would generate approximately \$365,000 per year. The levy was passed by voters in the November 2013 election.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 27, 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 and we also noted the School District has adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 27, 2013

**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Noncompliance and Material Weakness - 34 CFR 80.21(c): 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. Title I funds were not spent by the end of the month for which the drawdowns were requested.	Yes	N/A.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, 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 October 17, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

Columbus, Ohio

November 27, 2013

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# Dave Yost • Auditor of State

**SHADYSIDE LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 17, 2013**