



Mary Taylor, CPA
Auditor of State

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	17
Statement of Fund Net Assets – Proprietary Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	21
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Schedule of Audit Findings	49
Corrective Action Plan	51
Schedule of Prior Audit Findings	52

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shadyside Local School District, Belmont County, Ohio, as of and for the year ended June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to a projected General Fund deficit for fiscal years 2004 through 2008. Note 20 to the financial statements describes management's plans to address the projected General Fund deficit. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Shadyside Local School District
Belmont County
Independent Accountants' Report
Page 2

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

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

Mary Taylor, CPA
Auditor of State

January 28, 2008

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Shadyside Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$931,445 due to a reduction in force and reduced expenses.
- General revenues accounted for \$5,427,310 in revenue or 76 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,679,281 or 24 percent of total revenues of \$7,106,591.
- Total assets of governmental activities increased \$965,267 primarily due to an increased cash balance and increase in taxes receivable due to passage of a 6 mill Emergency Levy that began collections in calendar year 2007 and was slightly offset by depreciation of capital assets.
- The School District had \$6,175,146 in expenses related to governmental activities; only \$1,679,281 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,427,310 were adequate to provide for these programs.
- The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$5,854,274 in revenues and \$5,721,748 in expenditures, and the Permanent Improvement Fund had \$483,918 in revenues and \$420,301 in expenditures. Overall, including transfers, the General Fund's balance increased \$118,766, and the Permanent Improvement Fund's balance increased \$63,617.

Using this Annual Financial Report

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

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

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$4,654,339	\$3,766,073	\$888,266
Capital Assets	1,219,656	1,142,655	77,001
Total Assets	5,873,995	4,908,728	965,267
Liabilities			
Long-Term Liabilities	589,489	936,902	(347,413)
Other Liabilities	3,593,666	3,212,431	381,235
Total Liabilities	4,183,155	4,149,333	33,822
Net Assets			
Invested in Capital Assets, net of debt	1,099,318	987,617	111,701
Restricted	424,843	374,398	50,445
Unrestricted (Deficit)	166,679	(602,620)	769,299
Total Net Assets	\$1,690,840	\$759,395	\$931,445

Total assets increased \$965,267. Current assets increased by \$888,266, primarily due to increased cash balances and increase in taxes receivable due to passage of 6 mill Emergency Levy that began collections in calendar year 2007 and was slightly offset by depreciation of capital assets. The increase in capital assets was due primarily to roofing projects in the School District, and the increase was offset by depreciation expense.

Total liabilities increased \$33,822. Long-Term Liabilities decreased due to payments of long-term obligations and was offset by increased liabilities primarily for accrued wages and benefits as well as contracts payable.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2007	2006	
Revenues			
Program Revenues			
Charges for Services	\$994,095	\$899,060	\$95,035
Operating Grants and Contributions	667,010	637,166	29,844
Capital Grants and Contributions	18,176	3,933	14,243
Total Program Revenues	<u>1,679,281</u>	<u>1,540,159</u>	<u>139,122</u>
General Revenues			
Property Taxes	2,701,882	2,486,570	215,312
Grants and Entitlements not Restricted to Specific Programs	2,668,690	2,584,323	84,367
Others	56,738	70,525	(13,787)
Total General Revenues	<u>5,427,310</u>	<u>5,141,418</u>	<u>285,892</u>
Total Revenues	<u>7,106,591</u>	<u>6,681,577</u>	<u>425,014</u>
Program Expenses			
Instruction			
Regular	2,905,128	3,103,872	(198,744)
Special	578,715	585,831	(7,116)
Vocational	13,536	10,384	3,152
Support Services			
Pupils	244,337	243,488	849
Instructional Staff	149,418	148,016	1,402
Board of Education	22,625	20,194	2,431
Administration	591,524	589,760	1,764
Fiscal	253,084	183,552	69,532
Operation and Maintenance of Plant	782,005	751,241	30,764
Pupil Transportation	285,327	185,936	99,391
Operation of Non-Instructional Services	500	45	455
Food Service Operations	133,319	116,203	17,116
Extracurricular Activities	204,975	211,753	(6,778)
Interest and Fiscal Charges	10,653	14,442	(3,789)
Total Expenses	<u>6,175,146</u>	<u>6,164,717</u>	<u>10,429</u>
Increase in Net Assets	931,445	516,860	414,585
Net Assets Beginning of Year	<u>759,395</u>	<u>242,535</u>	<u>516,860</u>
Net Assets End of Year	<u>\$1,690,840</u>	<u>\$759,395</u>	<u>\$931,445</u>

In 2007 program revenues increased. Property taxes increased by \$215,312 from the prior year due to the start of the collection of the three-year 6 mill levy.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Program revenues accounted for 24 percent of the School District's revenues in fiscal year 2007. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 83 percent is for regular instruction, 16 percent for special instruction, and 1 percent for vocational instruction. Overall expenses reflect a slight increase of \$10,429. Fiscal expenses increased \$69,532 due to increases in State Audit Fees due to the completion of a two year audit, County Auditor and Treasurer Fees and insurance costs.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2006 and 2007. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction				
Regular	\$2,905,128	3,103,872	\$1,992,361	\$2,322,666
Special	578,715	585,831	123,209	132,102
Vocational	13,536	10,384	(1,623)	(5,495)
Support Services				
Pupils	244,337	243,488	234,805	243,250
Instructional Staff	149,418	148,016	136,376	142,484
Board of Education	22,625	20,194	22,625	20,194
Administration	591,524	589,760	591,524	583,545
Fiscal	253,084	183,552	245,002	183,552
Operation and Maintenance of Plant	782,005	751,241	781,732	751,135
Pupil Transportation	285,327	185,936	280,193	177,031
Operation of Non-Instructional Services	500	45	500	45
Food Service Operations	133,319	116,203	(1,782)	(13,500)
Extracurricular Activities	204,975	211,753	80,290	73,107
Interest and Fiscal Charges	10,653	14,442	10,653	14,442
Total Expenses	\$6,175,146	\$6,164,717	\$4,495,865	\$4,624,558

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 76 percent of expenses are supported through taxes, unrestricted grants and other general revenues.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District Funds

Information about the School District's major funds starts on page 13. The School District's funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$7,005,074 in revenues and \$6,832,099 in expenditures. Overall, including the transfers, the total Governmental funds' balance increased \$172,975.

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 2007 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budgeted resources and actual results of operations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007 the School District had \$1,219,656 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

Debt

At June 30, 2007, the School District had \$75,865 in energy conservation loans outstanding and \$44,473 in capital leases outstanding.

See Note 14 for more information regarding debt.

Economic Factors

The Shadyside Local School District is currently experiencing financial difficulty as the most recent Board adopted financial forecast represents. The School District relies heavily on state funds and our local taxpayers. Shadyside Local School District was placed in Fiscal Caution on April 12, 2004.

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

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District passed a 3 year 6 mill emergency levy in May 2006. This levy will raise an additional \$519,472 and collections began in calendar year 2007. With the additional levy, the School District is no longer projecting a deficit through FY 2009.

Contacting the School District's Financial Management

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

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Shadyside Local School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,087,539
Intergovernmental Receivable	92,880
Prepaid Items	29,439
Materials and Supplies Inventory	2,328
Cash and Cash Equivalents with Fiscal Agents	461,969
Property Taxes Receivable	2,980,184
Non-Depreciable Capital Assets	83,434
Depreciable Capital Assets, Net	<u>1,136,222</u>
<i>Total Assets</i>	<u>5,873,995</u>
Liabilities	
Accounts Payable	52,564
Contracts Payable	37,031
Accrued Wages and Benefits Payable	524,327
Intergovernmental Payable	141,507
Matured Severance Payable	108,515
Claims Payable	30,115
Deferred Revenue	2,699,607
Long-Term Liabilities:	
Due Within One Year	60,149
Due In More Than One Year	<u>529,340</u>
<i>Total Liabilities</i>	<u>4,183,155</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,099,318
Restricted for:	
Capital Projects	342,583
Debt Service	500
Bus Purchase	5,134
State Programs	38,004
Federal Programs	3,098
Other Purposes	35,524
Unrestricted	<u>166,679</u>
<i>Total Net Assets</i>	<u><u>\$1,690,840</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$2,905,128	\$794,860	\$117,907	\$0	(\$1,992,361)
Special	578,715	0	455,506	0	(123,209)
Vocational	13,536	0	15,159	0	1,623
Support Services:					
Pupils	244,337	0	9,532	0	(234,805)
Instructional Staff	149,418	0	0	13,042	(136,376)
Board of Education	22,625	0	0	0	(22,625)
Administration	591,524	0	0	0	(591,524)
Fiscal	253,084	0	8,082	0	(245,002)
Operation and Maintenance of Plant	782,005	273	0	0	(781,732)
Pupil Transportation	285,327	0	0	5,134	(280,193)
Operation of Non-Instructional Services	500	0	0	0	(500)
Food Service Operations	133,319	74,277	60,824	0	1,782
Extracurricular Activities	204,975	124,685	0	0	(80,290)
Interest and Fiscal Charges	10,653	0	0	0	(10,653)
<i>Total Governmental Activities</i>	<u>\$6,175,146</u>	<u>\$994,095</u>	<u>\$667,010</u>	<u>\$18,176</u>	<u>(4,495,865)</u>
 General Revenues					
Property Taxes Levied for General Purposes					2,366,603
Property Taxes Levied for Capital Projects					335,279
Grants and Entitlements not Restricted to Specific Programs					2,668,690
Gifts and Donations					5,531
Investment Earnings					44,518
Miscellaneous					6,689
<i>Total General Revenues</i>					<u>5,427,310</u>
Change in Net Assets					931,445
<i>Net Assets Beginning of Year</i>					<u>759,395</u>
<i>Net Assets End of Year</i>					<u><u>\$1,690,840</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$648,612	\$366,942	\$66,851	\$1,082,405
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,134	0	0	5,134
Receivables:				
Property Taxes	2,648,632	331,552	0	2,980,184
Intergovernmental	32,321	0	60,559	92,880
Interfund	77,601	0	0	77,601
Prepaid Items	29,439	0	0	29,439
Materials and Supplies Inventory	1,338	0	990	2,328
<i>Total Assets</i>	<u>\$3,443,077</u>	<u>\$698,494</u>	<u>\$128,400</u>	<u>\$4,269,971</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$24,899	\$26,477	\$1,188	\$52,564
Contracts Payable	0	37,031	0	37,031
Accrued Wages and Benefits	481,818	0	42,509	524,327
Interfund Payable	0	0	77,601	77,601
Intergovernmental Payable	130,755	394	10,358	141,507
Matured Severance Payable	108,515	0	0	108,515
Deferred Revenue	2,543,771	315,365	41,070	2,900,206
<i>Total Liabilities</i>	<u>3,289,758</u>	<u>379,267</u>	<u>172,726</u>	<u>3,841,751</u>
Fund Balances (Deficit)				
Reserved for Encumbrances	30,842	9,192	37,329	77,363
Reserved for Property Taxes	137,182	16,187	0	153,369
Reserved for Bus Purchases	5,134	0	0	5,134
Unreserved, Undesignated, Reported in:				
General Fund	(19,839)	0	0	(19,839)
Special Revenue Funds	0	0	(90,764)	(90,764)
Debt Service Fund	0	0	500	500
Capital Projects Funds	0	293,848	8,609	302,457
<i>Total Fund Balances</i>	<u>153,319</u>	<u>319,227</u>	<u>(44,326)</u>	<u>428,220</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,443,077</u>	<u>\$698,494</u>	<u>\$128,400</u>	<u>\$4,269,971</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances \$428,220

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 1,219,656

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

Grants	73,391	
Property Taxes	127,208	

Total 200,599

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service fund are included in governmental activities in the statement of net assets. 431,854

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

Compensated Absences	469,151	
Energy Conservation Loan	75,865	
Capital Leases	44,473	

Total (589,489)

Net Assets of Governmental Activities \$1,690,840

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, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,336,838	\$335,144	\$0	\$2,671,982
Intergovernmental	2,697,511	133,049	467,840	3,298,400
Interest	12,572	15,725	80	28,377
Tuition and Fees	794,860	0	0	794,860
Extracurricular Activities	0	0	124,685	124,685
Rent	273	0	0	273
Gifts and Donations	5,531	0	0	5,531
Charges for Services	0	0	74,277	74,277
Miscellaneous	6,689	0	0	6,689
<i>Total Revenues</i>	<u>5,854,274</u>	<u>483,918</u>	<u>666,882</u>	<u>7,005,074</u>
Expenditures				
Current:				
Instruction:				
Regular	3,219,508	44,859	90,017	3,354,384
Special	326,620	0	294,961	621,581
Vocational	13,536	0	0	13,536
Support Services:				
Pupils	260,360	0	7,046	267,406
Instructional Staff	159,208	0	5,731	164,939
Board of Education	22,539	0	0	22,539
Administration	581,581	4,142	45,113	630,836
Fiscal	254,617	9,313	5,000	268,930
Operation and Maintenance of Plant	539,341	302,254	0	841,595
Pupil Transportation	260,197	27,067	0	287,264
Operation of Non-Instructional Services	0	0	500	500
Food Service Operations	0	0	142,485	142,485
Extracurricular Activities	84,241	0	86,015	170,256
Capital Outlay	0	495	0	495
Debt Service:				
Principal Retirement	0	25,999	8,701	34,700
Interest and Fiscal Charges	0	6,172	4,481	10,653
<i>Total Expenditures</i>	<u>5,721,748</u>	<u>420,301</u>	<u>690,050</u>	<u>6,832,099</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>132,526</u>	<u>63,617</u>	<u>(23,168)</u>	<u>172,975</u>
Other Financing Sources (Uses)				
Transfers In	0	0	13,760	13,760
Transfers Out	(13,760)	0	0	(13,760)
Total Other Financing Sources (Uses)	<u>(13,760)</u>	<u>0</u>	<u>13,760</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	118,766	63,617	(9,408)	172,975
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>34,553</u>	<u>255,610</u>	<u>(34,918)</u>	<u>255,245</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$153,319</u>	<u>\$319,227</u>	<u>(\$44,326)</u>	<u>\$428,220</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, 2007*

Net Change in Fund Balances - Total Governmental Funds \$172,975

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

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

Capital Asset Additions	242,648	
Depreciation	(165,647)	
Total	77,001	77,001

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

Property Taxes	29,900	
Grants	55,476	
Total	85,376	85,376

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

Energy Conservation Loans	8,701	
Capital Leases	25,999	
Total	34,700	34,700

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

Compensated Absences Payable		312,713
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The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.

248,680

Changes in Net Assets of Governmental Activities

\$931,445

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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,295,000	\$2,295,000	\$2,297,081	\$2,081
Intergovernmental	2,442,096	2,698,324	2,697,511	(813)
Interest	5,500	5,500	12,557	7,057
Tuition and Fees	776,428	776,428	794,860	18,432
Rent	0	0	273	273
Gifts and Donations	6,000	6,000	5,531	(469)
Miscellaneous	6,000	6,000	6,689	689
<i>Total Revenues</i>	<u>5,531,024</u>	<u>5,787,252</u>	<u>5,814,502</u>	<u>27,250</u>
Expenditures				
Current:				
Instruction:				
Regular	3,049,212	3,318,341	3,136,298	182,043
Special	373,013	399,890	348,218	51,672
Vocational	13,546	25,598	25,132	466
Support Services:				
Pupils	277,745	282,656	260,815	21,841
Instructional Staff	203,338	140,689	129,527	11,162
Board of Education	29,020	29,570	28,539	1,031
Administration	541,713	543,089	558,881	(15,792)
Fiscal	233,562	236,021	252,652	(16,631)
Operation and Maintenance of Plant	574,331	573,073	571,755	1,318
Pupil Transportation	215,624	296,559	257,634	38,925
Extracurricular Activities	68,274	68,811	77,048	(8,237)
<i>Total Expenditures</i>	<u>5,579,378</u>	<u>5,914,297</u>	<u>5,646,499</u>	<u>267,798</u>
Excess of Revenues Over (Under) Expenditures	<u>(48,354)</u>	<u>(127,045)</u>	<u>168,003</u>	<u>295,048</u>
Other Financing Uses				
Transfers Out	(13,128)	(13,432)	(13,760)	(328)
Advances Out	0	0	(10,310)	(10,310)
Total Other Financing Uses	<u>(13,128)</u>	<u>(13,432)</u>	<u>(24,070)</u>	<u>(10,638)</u>
<i>Net Change in Fund Balance</i>	(61,482)	(140,477)	143,933	284,410
<i>Fund Balance Beginning of Year</i>	441,558	441,558	441,558	0
Prior Year Encumbrances Appropriated	<u>20,143</u>	<u>20,143</u>	<u>20,143</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$400,219</u>	<u>\$321,224</u>	<u>\$605,634</u>	<u>\$284,410</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2007

	Governmental Activity
	Internal Service Fund
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$461,969
Current Liabilities	
Claims Payable	30,115
Net Assets	
Unrestricted	431,854
<i>Total Net Assets</i>	\$431,854

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$1,022,749
Other	7,074
	1,029,823
 Operating Expenses	
Purchased Services	135,740
Claims	661,544
	797,284
 <i>Operating Income</i>	 232,539
 Non-Operating Revenues	
Interest	16,141
	248,680
 <i>Net Assets Beginning of Year</i>	 183,174
	\$431,854
	\$431,854

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, 2007

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,022,749
Cash Payments for Goods and Services	(135,740)
Cash Payments for Claims	(654,069)
Cash Received from Other Operating Revenue	7,074
<i>Net Cash Provided by Operating Activities</i>	240,014
Cash Flows from Investing Activities	
Interest	16,141
<i>Net Cash Provided by Investing Activities</i>	16,141
<i>Net Increase in Cash and Cash Equivalents</i>	256,155
<i>Cash and Cash Equivalents Beginning of Year</i>	205,814
<i>Cash and Cash Equivalents End of Year</i>	\$461,969
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$232,539
Increase in Liabilities:	
Claims Payable	7,475
<i>Net Cash Provided by Operating Activities</i>	\$240,014

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$29,006</u>
<i>Total Assets</i>	<u><u>\$29,006</u></u>
Liabilities	
Due to Students	<u>\$29,006</u>
<i>Total Liabilities</i>	<u><u>\$29,006</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, 2007

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 24 non-certificated employees, 56 certificated teaching personnel, and 5 administrators who provide services to 852 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 it was accepted by the Ohio Department of Education on January 31, 2005 to avoid a potential deficit in fiscal year 2006. See Note 20 for further details.

Reporting Entity:

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

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

The School District is involved with the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS) and the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are defined as insurance purchasing pools, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a claims servicing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

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, 2007

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

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

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

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

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

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

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

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

E. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2007.

Following Ohio statues, 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 2007 amounted to \$12,572, which includes \$7,035, 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, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

N. Fund Balance Reserves

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local resources to be used for student programs. The government-wide statement of net assets reports \$424,843 of restricted net assets. Of the restricted net assets, none has resulted from enabling legislation.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007

NOTE 3 – FUND DEFICIT

At June 30, 2007, the following funds had a deficit fund balance:

	Deficit Fund Balance
Food Service Special Revenue Fund	\$88,991
Miscellaneous Federal Grants Special Revenue Fund	16,377
Total	<u>\$105,368</u>

The deficit in the food service special revenue fund is due to cash advances, accrued liabilities, as well as a failure to adequately fund this program. This cash advance is reported as a payable to the General fund. In order to alleviate this deficit the School District has cut staff hours, raised the cost of student lunches and eliminated the breakfast program. The deficit in the miscellaneous federal grants special revenue fund is due to accrued liabilities.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance

GAAP Basis	\$118,766
Revenue Accruals	(39,772)
Advances Out	(10,310)
Expenditure Accruals	123,361
Encumbrances	<u>(48,112)</u>
Budget Basis	<u><u>\$143,933</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

At June 30, 2007, the School District's internal service fund had a balance of \$461,969 with OME-RESA, a claims servicing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$980,483 of the School District's bank balance of \$1,086,039 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2007, the School District had an investment in STAROhio. The fair value of the investments in Star Ohio was \$128,048, and the investment has an average maturity of 38.56 days.

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The amount available as an advance at June 30, 2007 was \$137,182 in the General Fund and \$16,187 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2006, was \$97,425 in the General Fund and \$17,385 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$65,416,420	75.6%	\$75,432,460	77.4%
Public Utility Personal	18,320,870	21.2%	19,928,780	20.4%
Tangible Personal	2,734,603	3.2%	2,118,250	2.2%
	<u>\$86,471,893</u>	<u>100.0%</u>	<u>\$97,479,490</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$36.95		\$42.95	

The Tax Rate reflects an increase due to passage of a 6 mill Emergency Levy that began collections in calendar year 2007.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as receivable in the amount of \$127,208 may not be collected within one year. All other receivables are expected to be collected within one year. The intergovernmental receivable is as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Excess Costs	\$32,321
C.O.R.E. Grant	41,084
Idea Part B	19,475
	<u>\$92,880</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Nondepreciable Capital Assets:				
Land	\$42,289	\$0	\$0	\$42,289
Construction in Progress	0	41,145	0	41,145
Total Nondepreciable Capital Assets	42,289	41,145	0	83,434
Depreciable Capital Assets:				
Land Improvements	824,418	0	0	824,418
Buildings and Improvements	3,203,587	171,427	60,101	3,314,913
Furniture and Equipment	1,514,265	30,076	0	1,544,341
Vehicles	444,460	0	45,240	399,220
Total Depreciable Capital Assets	5,986,730	201,503	105,341	6,082,892
Accumulated Depreciation:				
Land Improvements	(525,354)	(35,469)	0	(560,823)
Buildings and Improvements	(2,702,702)	(33,061)	(60,101)	(2,675,662)
Furniture and Equipment	(1,271,696)	(83,215)	0	(1,354,911)
Vehicles	(386,612)	(13,902)	(45,240)	(355,274)
Total Accumulated Depreciation	(4,886,364)	(165,647)	(105,341)	(4,946,670)
Total Depreciable Capital Assets, Net	1,100,366	35,856	0	1,136,222
Governmental Capital Assets, Net	\$1,142,655	\$77,001	\$0	\$1,219,656

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$86,529
Special	4,360
Support Services:	
Instructional Staff	886
Board of Education	86
Administration	9,336
Fiscal	543
Operation of Maintenance and Plant	7,217
Pupil Transportation	13,813
Extracurricular	39,068
Food Service Operations	3,809
Total Depreciation Expense	<u>\$165,647</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007 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 School District pays this annual premium to the OSP (See Note 17). The Shadyside Local School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The liability policy has a liability per occurrence limit ranging from \$10,000 to \$1,000,000 and a \$3,000,000 aggregate annual limit. The property policy is a replacement cost policy with a total coverage of \$23,347,659. The fleet policy has a liability per occurrence of \$2,000,000.

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

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$450.51 for individual coverage per month and \$1,075.40 for family coverage per month which represents 90 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug premiums are \$344.44 per month, 100 percent paid by the Board, and requires a \$5 per prescription deductible to be paid by the employee. Premiums for the dental coverage are \$80.27 per month for family and single coverage and are 100 percent covered by the Board.

The claims liability of \$30,115 reported in the internal service fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2006	\$89,774	\$546,345	\$613,479	\$22,640
2007	22,640	661,544	654,069	30,115

Workers' Compensation

For fiscal year 2007, 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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$56,454, \$67,579, and \$63,975 respectively; 35 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$401,149, \$369,733, and \$381,722 respectively; 76 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$80 made by the School District and \$3,886 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$28,449 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$30,092.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

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

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, 2007

B. Other Insurance Benefits

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

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

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$106,587. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation with the book value of \$26,647. Principal payments in fiscal year 2007 totaled \$25,999 in the governmental funds.

Future minimum lease payments through 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$28,866	\$3,306
2009	<u>15,607</u>	<u>481</u>
Total	<u>\$44,473</u>	<u>\$3,787</u>

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Principal</u> <u>Outstanding</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/07</u>	<u>Amounts</u> <u>Due In</u> <u>One Year</u>
Energy Conservation Loan	\$84,566	\$0	\$8,701	\$75,865	\$9,169
Capital Leases	70,472	0	25,999	44,473	28,866
Compensated Absences	781,864	54,084	366,797	469,151	22,114
Total General Long-Term Obligations	<u>\$936,902</u>	<u>\$54,084</u>	<u>\$401,497</u>	<u>\$589,489</u>	<u>\$60,149</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2007 are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30, 2007</u>	<u> </u>	<u> </u>	<u> </u>
2008	\$9,169	\$4,013	\$13,182
2009	9,685	3,497	13,182
2010	10,219	2,963	13,182
2011	10,781	2,401	13,182
2012	11,371	1,811	13,182
2013-2014	<u>24,640</u>	<u>1,699</u>	<u>26,339</u>
Total	<u><u>\$75,865</u></u>	<u><u>\$16,384</u></u>	<u><u>\$92,249</u></u>

The School District's overall legal debt margin was \$8,462,386, with an unvoted debt margin of \$94,869 at June 30, 2007.

NOTE 15 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2007 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u> <u>General Fund</u>
Other Nonmajor Governmental	<u><u>\$77,601</u></u>

The loan of \$74,690 to the Food Service Special Revenue Fund was made to support the cafeteria program. The School District has increased lunch prices, reduced staff and eliminated the breakfast program to increase revenue for the food service program. The loan of \$2,911 to the Athletic Special Revenue Fund was made to support the athletic program.

Interfund transfers for the year ended June 30, 2007 consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u> <u>Other Non-major</u> <u>Governmental</u>
General Fund	<u><u>\$13,760</u></u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The Transfers From/To were used to move receipts from the General Fund to the Debt Service Fund for repayment of the energy conservation loan as debt service payments come due and to the Miscellaneous Local Fund for the local share of State programs.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School – The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2007, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, Monroe, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2007, the total amount paid to OME-RESA from the School District for services provided was \$29,407. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District’s membership fee was \$300 for fiscal year 2007.

East Central Ohio Special Education Regional Resource Center (ECO-SERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECO-SERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECO-SERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECO-SERRC.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

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

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

B. Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

During fiscal year 2004, the Board of Education passed a resolution to expend all of the previously reserved amounts for the budget reserve pursuant to State statute.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether for School Districts that are declared to be in Fiscal Watch or Fiscal Caution, provided that the School Districts apply and receive approval from the Ohio Department of Education. The Shadyside Local School District remained in Fiscal Caution during fiscal year 2007, but did file not request a waiver of the set-aside requirement for fiscal year 2007.

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2006	\$0	\$0
Current Year Set-aside Requirement	114,691	114,691
Current Year Offsets	(66,113)	(282,759)
Qualifying Disbursements	(57,318)	0
Totals	(\$8,740)	(\$168,068)
Carry Forward at June 30, 2006	(3,818)	0
Set-aside Balance Carried		
Forward to Future Fiscal Years	(\$12,558)	\$0
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0

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

NOTE 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, 2007.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Litigation

The Shadyside Local School District has been awarded a judgment in a criminal case in the United States District Court, Northern District of Ohio. The case is United States of America V. Kenneth J. Schulte. The judgment award was for three offenses: 1) wire fraud, aiding and abetting, 2) frauds and swindles, aiding and abetting, and 3) manipulative and deceptive devices. The Shadyside Local School District's portion of the award is in the amount of \$140,000, with a total judgment award to all parties of \$7,241,759.30. The restitution to the parties is to be equal, not less than, ten percent of defendant's gross monthly income while under supervision. During fiscal year 2007 the School District received no payment toward the total judgment.

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

NOTE 20 – GOING CONCERN

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

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

On May 2, 2006, the School District passed an additional General Emergency three-year 6 mill levy. The collections for this levy began in calendar year 2007.

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance in fiscal years 2010 through 2012, and deficit unreserved fund balance in fiscal years 2010 through 2012 of the projection. The Board has not currently adopted any plan to address the projected deficits.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 28, 2008, where we noted the School District being placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to projected General Fund deficit for fiscal years 2004 through 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: Finding 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated January 28, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-002 and 2007-003.

We also noted a certain noncompliance or other matter that we reported to the School District's management in a separate letter dated January 28, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 28, 2008

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

FINDING NUMBER 2007-001

Significant Deficiency – General Fund loans to Food Service Fund

Auditor of State Bulletin 97-003 outlines that inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. The resolution must include: (1) A specific statement that the transaction is an advance of cash, and (2) an indication of the money (fund) from which it is expected that repayment will be made.

Over the past five years, the School District's General Fund has been subsidizing the food service operations by the School Board approving an advance from the General Fund to the Food Service Fund. The cumulative amount over the five year period is \$74,690. The Food Service Fund has not paid any of these advances back to the General Fund. The following schedule shows the advances from the General Fund to the Food Service Fund for the past 5 years.

<u>Fiscal Year</u>	<u>Advance</u>
2003	\$16,709
2004	25,045
2005	17,119
2006	8,419
2007	7,398
Total	<u>\$74,690</u>

The Food Service Fund has been operating at a deficit level over the five year period even though the School District has raised lunch prices. Clearly the Food Service Fund does not show the ability to repay the advances from the General Fund in the foreseeable future.

We recommend the School District Board of Education consider adopting a payment schedule or making the advances a permanent transfer from the General Fund. This would help alleviate the audit opinion possibly being qualified in the future.

Official's Response:

We did not receive a response from the School District.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002

Noncompliance Citation

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

- As of March 31, 2007, the Lunchroom Fund reflected a deficit fund balance of \$2,869.
- As of November 30, 2006, the Lunchroom, Safe and Drug Free Schools, and Title II-A Funds reflected deficit fund balances of \$17,353, \$2,741, and \$1,406, respectively.
- As of September 30, 2006, the Lunchroom and Poverty Based Assistance Funds reflected deficit fund balances of \$13,251 and \$1,422, respectively.

We recommend the School District monitor fund balances to ensure that monies from one fund are not utilized to pay expenses incurred by another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District can refer to Auditor of State Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

Official's Response:

We did not receive a response from the School District.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been properly appropriated.

At June 30, 2007, the following fund reflected expenditures which exceeded appropriations at the legal level of control:

Fund/Function/Object	Appropriations	Expenditures	Variance
Lunchroom	\$ 133,033	\$ 139,895	\$ (6,862)

We recommend the School District Treasurer monitor all fund expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts.

Official's Response:

We did not receive a response from the School District.

**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	The School District will consider the repayment of advances.	June 30, 2008	Melissa Visnic, Treasurer
2007-002	The School District will monitor cash fund balances.	June 30, 2008	Melissa Visnic, Treasurer
2007-003	The School District will monitor appropriations before incurring obligations.	June 30, 2008	Melissa Visnic, Treasurer

SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain:</i>
2006-001	General Fund loans to Food Service Fund	No	Not Corrected. Reissued as Finding 2007-001 in GAGAS letter.



Mary Taylor, CPA
Auditor of State

SHADYSIDE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2008**