



Dave Yost • Auditor of State



**SHADYSIDE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on April 12, 2004 due to a projected General Fund deficit. Note 21 to the financial statements describes management's plans to address the projected General Fund deficit. This matter does not affect our opinion on these financial statements.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 13, 2017

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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The discussion and analysis of the Shadyside Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- In total, net position increased \$1,101,677.
- General revenues accounted for \$5,589,593 in revenue or approximately 68 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,610,342 or approximately 32 percent of total revenues of \$8,199,935.
- Total assets of governmental activities increased \$1,656,750 primarily due to an increase in depreciable capital assets, and equity in pooled cash and cash equivalents during fiscal year 2016. The increase was offset primarily by decreases in accounts receivable, and payments in lieu of taxes receivable.
- The School District had \$7,098,258 in expenses related to governmental activities; only \$2,610,342 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$5,589,593 were adequate to provide for these programs.
- Total governmental funds had \$8,305,067 in revenues and \$8,106,358 in expenditures. Overall, including other financing sources and uses, total governmental funds' balance increased \$871,099.

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

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

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

	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$8,695,221	\$7,961,466	\$733,755
Capital Assets	2,646,205	1,723,210	922,995
<b>Total Assets</b>	<b>11,341,426</b>	<b>9,684,676</b>	<b>1,656,750</b>
<b>Deferred Outflows of Resources</b>			
Pension	934,222	567,825	366,397
<b>Liabilities</b>			
Current and Other Liabilities	744,967	850,891	(105,924)
Long-Term Liabilities:			
Due Within One Year	118,117	81,824	36,293
Due in More Than One Year:			
Net Pension Liability	8,898,236	8,009,532	888,704
Other Amounts	928,975	380,341	548,634
<b>Total Liabilities</b>	<b>10,690,295</b>	<b>9,322,588</b>	<b>1,367,707</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,399,738	2,207,708	192,030
Pension	816,353	1,454,620	(638,267)
<b>Total Deferred Inflows of Resources</b>	<b>3,216,091</b>	<b>3,662,328</b>	<b>(446,237)</b>
<b>Net Position (Deficit)</b>			
Net Investment in Capital Assets	1,992,910	1,703,032	289,878
Restricted	892,397	1,245,615	(353,218)
Unrestricted	(4,516,045)	(5,681,062)	1,165,017
<b>Total Net Position (Deficit)</b>	<b>(\$1,630,738)</b>	<b>(\$2,732,415)</b>	<b>\$1,101,677</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets of governmental activities increased \$1,656,750. Current and other assets increased \$733,755 primarily due to increases in equity in pooled cash and cash equivalents, intergovernmental receivables, and prepaid items. The increase in current assets were offset by decreases in accounts receivable related to the School District terminating its self-insurance health plan, as well as decreases in payments in lieu of taxes receivable as the final scheduled payment was received in fiscal year 2016. Capital assets increased \$922,995 primarily due to a HB264 Energy Conservation Project, as well as the purchase of new school buses.

Total liabilities increased \$1,367,707. Long-term liabilities increased \$1,473,631 primarily due to increases in the net pension liability, as well as the issuance of a capital lease to finance an energy conservation project.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Current and other liabilities decreased \$105,294 primarily due to decreases in claims payable associated with the School District terminating its self-insurance health plan during the fiscal year.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
<b>Governmental Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,742,304	\$1,577,383	\$164,921
Operating Grants and Contributions	868,038	977,804	(109,766)
Capital Grants and Contributions	0	20,900	(20,900)
<b>Total Program Revenues</b>	<b>2,610,342</b>	<b>2,576,087</b>	<b>34,255</b>
General Revenues			
Property Taxes	2,246,222	2,231,802	14,420
Grants and Entitlements not Restricted to Specific Programs	3,295,990	2,709,172	586,818
Others	47,381	44,186	3,195
<b>Total General Revenues</b>	<b>5,589,593</b>	<b>4,985,160</b>	<b>604,433</b>
<b>Total Revenues</b>	<b>8,199,935</b>	<b>7,561,247</b>	<b>638,688</b>
<b>Program Expenses</b>			
Instruction			
Regular	3,633,269	3,690,097	(56,828)
Special	724,220	697,203	27,017
Vocational	29,076	31,134	(2,058)
Support Services			
Pupil	207,518	189,993	17,525
Instructional Staff	110,593	99,091	11,502
Board of Education	41,692	35,379	6,313
Administration	695,987	660,478	35,509
Fiscal	304,278	256,841	47,437
Operation and Maintenance of Plant	649,970	670,978	(21,008)
Pupil Transportation	285,596	288,292	(2,696)
Operation of Non-Instructional Services	5,703	0	5,703
Food Service Operations	152,476	118,827	33,649
Extracurricular Activities	235,757	198,820	36,937
Interest and Fiscal Charges	22,123	2,095	20,028
<b>Total Expenses</b>	<b>7,098,258</b>	<b>6,939,228</b>	<b>159,030</b>
<b>Increase in Net Position</b>	1,101,677	622,019	479,658
Net Position (Deficit) Beginning of Year	(2,732,415)	(3,354,434)	622,019
<b>Net Position (Deficit) End of Year</b>	<b>(\$1,630,738)</b>	<b>(\$2,732,415)</b>	<b>\$1,101,677</b>

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Program revenues accounted for approximately 32 percent of the School District's revenues in fiscal year 2016. These revenues consist of tuition and fees, charges for providing lunches to students, as well as grants for specified purposes. In 2016 program revenues increased slightly, primarily due to an increase in charges for services as a result of an increase in tuition and fees for open enrollment. The increase was offset by a decrease in operating grants and contributions and capital grants and contributions related to Straight A funding received in the prior year.

Instructional programs comprise approximately 62 percent of total governmental program expenses. Of the instructional expenses, approximately 83 percent is for regular instruction, approximately 16 percent for special instruction, and approximately 1 percent for vocational instruction. Overall program expenses increased slightly over the prior year in the amount of \$159,030.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2016 compared to fiscal year 2015. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Instruction				
Regular	\$3,633,269	\$3,690,097	\$1,915,142	\$2,160,147
Special	724,220	697,203	171,032	77,213
Vocational	29,076	31,134	12,360	3,276
Support Services				
Pupil	207,518	189,993	207,518	189,993
Instructional Staff	110,593	99,091	105,278	93,812
Board of Education	41,692	35,379	41,692	35,251
Administration	695,987	660,478	695,883	660,226
Fiscal	304,278	256,841	304,008	255,737
Operation and Maintenance of Plant	649,970	670,978	624,592	593,921
Pupil Transportation	285,596	288,292	269,308	261,450
Operation of Non-Instructional Services	5,703	0	5,703	0
Food Service Operations	152,476	118,827	21,111	(14,638)
Extracurricular Activities	235,757	198,820	92,166	44,658
Interest and Fiscal Charges	22,123	2,095	22,123	2,095
<b>Total Expenses</b>	<b>\$7,098,258</b>	<b>\$6,939,228</b>	<b>\$4,487,916</b>	<b>\$4,363,141</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 63 percent of expenses are supported through taxes and other general revenues.

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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**The School District Funds**

Information about the School District's major funds starts on page 13. The School District has two major funds; the General Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$7,316,383 in revenues and \$6,064,567 in expenditures, and the Permanent Improvement Fund had \$301,028 in revenues and \$1,294,629 in expenditures. Overall, including other financing sources and uses, the General Fund's balance increased \$1,211,508, and the Permanent Improvement Fund's balance decreased \$349,707.

***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 2016 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected decreases in property taxes, with increases in intergovernmental revenue and tuition and fees. The actual results of operations were different than budgeted amounts as more tuition and fees were realized. Spending in almost all categories was lower than budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016 the School District had \$2,646,205 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. See Note 8 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2016, the School District had \$653,295 outstanding in capital leases with \$44,109 due within one year. See Note 14 or more information regarding the School District's debt and other long-term obligations, including compensated absences, long-term intergovernmental payable, and net pension liability.

**Economic Factors**

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

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

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

**Shadyside Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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The School District also approved an additional expenditure reduction plan that was effective for fiscal year 2011. For fiscal year 2012, the School District reduced staff by two employees. During fiscal year 2013 the School District continued to implement cost saving measures through retirements, attrition, combining positions, as well as changing health insurance plan documents to reduce overall costs.

A significant loss to the School District was the closing of the FirstEnergy R. E. Burger Power Plant. When the School District realizes the full impact of the loss, the School District will lose \$847,661 in tax revenue annually. In an attempt to mitigate the loss, Belmont County and the School District entered into a personal property tax agreement with FirstEnergy. The Agreement called for FirstEnergy to make five annual decreasing payments based on a percentage of its established annual personal property tax beginning in 2012, and the final annual payment was received in fiscal year 2016.

As the School District continues to face the constraints of limited state funding as well as a declining tax base, the Board of Education opted to place another 5 Year Emergency Levy on the November 5, 2013 ballot. The levy was approved by voters and will raise an additional \$365,000 for the School District annually. The levy began collections in calendar year 2014.

In fiscal year 2016, the School District continued to receive the grant from Belmont County Board of Developmental Disabilities in the amount of \$100,000. Open Enrollment continues to increase slightly and provide additional funding. The School District has also began receiving Capacity Aid, which provides additional funding for school districts where the income generated for one mill of property tax is below the state median as part of the State Foundation Payment in fiscal year 2016.

**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.

**Shadyside Local School District**

*Statement of Net Position*

*June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,945,417
Intergovernmental Receivable	173,645
Property Taxes Receivable	2,607,543
Prepaid Items	41,994
Materials and Supplies Inventory	3,542
Cash and Cash Equivalents with Fiscal Agents	923,080
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	<u>2,603,916</u>
<i>Total Assets</i>	<u>11,341,426</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>934,222</u>
<b>Liabilities</b>	
Accounts Payable	25,251
Accrued Wages and Benefits Payable	493,557
Intergovernmental Payable	153,975
Accrued Interest Payable	1,838
Matured Severance Payable	70,346
Long-Term Liabilities:	
Due Within One Year	118,117
Due In More Than One Year:	
Net Pension Liability (See Note 10)	8,898,236
Other Amounts	<u>928,975</u>
<i>Total Liabilities</i>	<u>10,690,295</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	2,399,738
Pension	<u>816,353</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,216,091</u>
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	1,992,910
Restricted for:	
Capital Projects	832,221
Bus Purchase	2,126
State Programs	3,594
Other Purposes	54,456
Unrestricted	<u>(4,516,045)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$1,630,738)</u></u>

See accompanying notes to the basic financial statements.

**Shadyside Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,633,269	\$1,542,380	\$175,747	(\$1,915,142)
Special	724,220	0	553,188	(171,032)
Vocational	29,076	0	16,716	(12,360)
Support Services:				
Pupil	207,518	0	0	(207,518)
Instructional Staff	110,593	0	5,315	(105,278)
Board of Education	41,692	0	0	(41,692)
Administration	695,987	0	104	(695,883)
Fiscal	304,278	0	270	(304,008)
Operation and Maintenance of Plant	649,970	0	25,378	(624,592)
Pupil Transportation	285,596	0	16,288	(269,308)
Operation of Non-Instructional Services	5,703	0	0	(5,703)
Food Service Operations	152,476	56,333	75,032	(21,111)
Extracurricular Activities	235,757	143,591	0	(92,166)
Interest and Fiscal Charges	22,123	0	0	(22,123)
<i>Total Governmental Activities</i>	<b>\$7,098,258</b>	<b>\$1,742,304</b>	<b>\$868,038</b>	<b>(4,487,916)</b>
 <b>General Revenues</b>				
Property Taxes Levied for General Purposes				2,025,179
Property Taxes Levied for Capital Projects				221,043
Grants and Entitlements not Restricted to Specific Programs				3,295,990
Gifts and Donations				253
Investment Earnings				8,142
Miscellaneous				38,986
<i>Total General Revenues</i>				<b>5,589,593</b>
Change in Net Position				1,101,677
<i>Net Position (Deficit) Beginning of Year</i>				<b>(2,732,415)</b>
<i>Net Position (Deficit) End of Year</i>				<b>(\$1,630,738)</b>

See accompanying notes to the basic financial statements.



**Shadyside Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,065,740	\$819,103	\$58,448	\$4,943,291
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,126	0	0	2,126
Receivables:				
Property Taxes	2,357,551	249,992	0	2,607,543
Intergovernmental	103,663	0	69,982	173,645
Interfund	19,840	0	0	19,840
Prepaid Items	41,994	0	0	41,994
Materials and Supplies Inventory	1,338	0	2,204	3,542
<i>Total Assets</i>	<u>\$6,592,252</u>	<u>\$1,069,095</u>	<u>\$130,634</u>	<u>\$7,791,981</u>
<b>Liabilities</b>				
Accounts Payable	\$19,408	\$5,561	\$282	\$25,251
Accrued Wages and Benefits	439,860	0	53,697	493,557
Interfund Payable	0	0	19,840	19,840
Intergovernmental Payable	147,764	0	6,211	153,975
Matured Severance Payable	70,346	0	0	70,346
<i>Total Liabilities</i>	<u>677,378</u>	<u>5,561</u>	<u>80,030</u>	<u>762,969</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,168,418	231,320	0	2,399,738
Unavailable Revenue	149,010	11,158	18,277	178,445
<i>Total Deferred Inflows of Resources</i>	<u>2,317,428</u>	<u>242,478</u>	<u>18,277</u>	<u>2,578,183</u>
<b>Fund Balances</b>				
Nonspendable:				
Materials and Supplies Inventory	1,338	0	2,204	3,542
Prepaid Items	41,994	0	0	41,994
Restricted for:				
Capital Projects	0	821,056	7	821,063
Debt Service	0	0	1,504	1,504
Bus Purchase	2,126	0	0	2,126
Local Programs	0	0	54,456	54,456
State Programs	0	0	922	922
Assigned to:				
Purchases on Order	17,438	0	0	17,438
Unassigned (Deficit)	3,534,550	0	(26,766)	3,507,784
<i>Total Fund Balances</i>	<u>3,597,446</u>	<u>821,056</u>	<u>32,327</u>	<u>4,450,829</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,592,252</u>	<u>\$1,069,095</u>	<u>\$130,634</u>	<u>\$7,791,981</u>

See accompanying notes to the basic financial statements.

**Shadyside Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016*

**Total Governmental Fund Balances** \$4,450,829

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 2,646,205

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

Tuition and Fees	49,772
Property Taxes	110,396
Intergovernmental	<u>18,277</u>

Total 178,445

An internal service fund is used by management to charge the costs of insurance  
to individual funds. The assets and liabilities of the internal service fund are  
included in governmental activities in the statement of net position. 923,080

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

Intergovernmental Payable	20,000
Accrued Interest Payable	1,838
Capital Leases	653,295
Compensated Absences	<u>373,797</u>

Total (1,048,930)

The net pension liability is not due and payable in the current period; therefore,  
the liability and related deferred inflows/outflows are not reported in the  
governmental funds:

Deferred Outflows - Pension	934,222
Net Pension Liability	(8,898,236)
Deferred Inflows - Pension	<u>(816,353)</u>

Total (8,780,367)

*Net Position of Governmental Activities* (\$1,630,738)

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, 2016*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,016,882	\$220,560	\$0	\$2,237,442
Intergovernmental	3,560,397	62,837	534,074	4,157,308
Interest	1,822	691	0	2,513
Tuition and Fees	1,526,869	0	0	1,526,869
Extracurricular Activities	47,240	0	96,351	143,591
Gifts and Donations	0	0	253	253
Revenue in Lieu of Taxes	122,154	16,940	0	139,094
Charges for Services	2,678	0	56,333	59,011
Miscellaneous	38,341	0	645	38,986
<i>Total Revenues</i>	<u>7,316,383</u>	<u>301,028</u>	<u>687,656</u>	<u>8,305,067</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,405,029	78,966	136,930	3,620,925
Special	414,253	0	305,497	719,750
Vocational	29,035	0	0	29,035
Support Services:				
Pupil	214,376	0	0	214,376
Instructional Staff	104,935	0	5,125	110,060
Board of Education	41,692	0	0	41,692
Administration	688,723	2,111	0	690,834
Fiscal	276,300	5,476	0	281,776
Operation and Maintenance of Plant	525,607	240,211	13,062	778,880
Pupil Transportation	242,610	278,797	2,464	523,871
Operation of Non-Instructional Services	5,203	0	500	5,703
Food Service Operations		0	141,521	141,521
Extracurricular Activities	116,804	0	115,818	232,622
Capital Outlay	0	670,139	0	670,139
Debt Service:				
Principal Retirement	0	14,427	10,462	24,889
Interest and Fiscal Charges	0	4,502	15,783	20,285
<i>Total Expenditures</i>	<u>6,064,567</u>	<u>1,294,629</u>	<u>747,162</u>	<u>8,106,358</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,251,816</u>	<u>(993,601)</u>	<u>(59,506)</u>	<u>198,709</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	2,251	0	0	2,251
Transfers In	0	0	68,804	68,804
Inception of Capital Lease	0	670,139	0	670,139
Transfers Out	(42,559)	(26,245)	0	(68,804)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,308)</u>	<u>643,894</u>	<u>68,804</u>	<u>672,390</u>
<i>Net Change in Fund Balances</i>	1,211,508	(349,707)	9,298	871,099
<i>Fund Balances Beginning of Year</i>	<u>2,385,938</u>	<u>1,170,763</u>	<u>23,029</u>	<u>3,579,730</u>
<i>Fund Balances End of Year</i>	<u>\$3,597,446</u>	<u>\$821,056</u>	<u>\$32,327</u>	<u>\$4,450,829</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, 2016*

**Net Change in Fund Balances - Total Governmental Funds** \$871,099

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Asset Additions	1,116,757	
Depreciation	(179,190)	
Total	937,567	937,567

Capital Assets removed from the capital asset account on the Statement of Net Position results in a gain or loss on disposal of capital assets on the Statement of Activities (14,572)

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

Intergovernmental	6,720	
Tuition and Fees	12,833	
Property Taxes	8,780	
Revenue in Lieu of Taxes	(139,094)	
Total	(110,761)	(110,761)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities. (1,838)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital Leases		37,022
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Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the Statement of Activities. (670,139)

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.

Intergovernmental Payable	(20,000)	
Compensated Absences Payable	68,190	
Total	48,190	48,190

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. (110,851)

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 508,221

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (392,261)

*Change in Net Position of Governmental Activities* \$1,101,677

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, 2016*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,170,000	\$2,050,488	\$2,051,782	\$1,294
Intergovernmental	3,034,790	3,565,988	3,563,478	(2,510)
Interest	1,693	1,693	1,822	129
Tuition and Fees	1,210,229	1,421,500	1,477,097	55,597
Extracurricular	40,875	48,000	47,240	(760)
Rent	200	200	0	(200)
Revenue in Lieu of Taxes	122,153	122,153	122,154	1
Charges for Services	7,000	7,000	2,678	(4,322)
Miscellaneous	16,856	16,856	38,341	21,485
<i>Total Revenues</i>	<u>6,603,796</u>	<u>7,233,878</u>	<u>7,304,592</u>	<u>70,714</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,590,154	3,613,996	3,352,595	261,401
Special	514,355	526,355	414,660	111,695
Vocational	39,782	39,782	29,035	10,747
Support Services:				
Pupil	229,434	229,434	224,310	5,124
Instructional Staff	96,620	96,620	109,762	(13,142)
Board of Education	43,088	47,326	42,280	5,046
Administration	704,974	712,588	707,440	5,148
Fiscal	273,436	273,436	284,765	(11,329)
Operation and Maintenance of Plant	627,653	678,341	539,724	138,617
Pupil Transportation	339,039	290,127	239,556	50,571
Operation of Non-Instructional/Shared Services	6,000	6,000	5,203	797
Extracurricular Activities	110,860	110,860	115,041	(4,181)
<i>Total Expenditures</i>	<u>6,575,395</u>	<u>6,624,865</u>	<u>6,064,371</u>	<u>560,494</u>
Excess of Revenues Over Expenditures	28,401	609,013	1,240,221	631,208
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,500	1,500	2,251	751
Transfers Out	(55,012)	(55,012)	(42,559)	12,453
Total Other Financing Sources (Uses)	<u>(53,512)</u>	<u>(53,512)</u>	<u>(40,308)</u>	<u>13,204</u>
<i>Net Change in Fund Balance</i>	(25,111)	555,501	1,199,913	644,412
<i>Fund Balance Beginning of Year</i>	2,795,884	2,795,884	2,795,884	0
Prior Year Encumbrances Appropriated	<u>62,594</u>	<u>62,594</u>	<u>62,594</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,833,367</u></u>	<u><u>\$3,413,979</u></u>	<u><u>\$4,058,391</u></u>	<u><u>\$644,412</u></u>

See accompanying notes to the basic financial statements.

**Shadyside Local School District**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2016*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$923,080
<b>Net Position</b>	
Unrestricted	923,080
<i>Total Net Position</i>	\$923,080

See accompanying notes to the basic financial statements.

**Shadyside Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$597,503
Other	21,332
	618,835
 <i>Total Operating Revenues</i>	 618,835
<b>Operating Expenses</b>	
Purchased Services	150,882
Claims	584,433
	735,315
 <i>Total Operating Expenses</i>	 735,315
 <i>Operating Loss</i>	 (116,480)
<b>Non-Operating Revenues</b>	
Interest	5,629
	5,629
 <i>Change in Net Position</i>	 (110,851)
 <i>Net Position Beginning of Year</i>	 1,033,931
 <i>Net Position End of Year</i>	 \$923,080

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, 2016*

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$597,503
Cash Payments for Goods and Services	(150,882)
Cash Payments for Claims	(787,535)
Cash Received from Other Operating Revenue	213,271
<i>Net Cash Used for Operating Activities</i>	(127,643)
<b>Cash Flows from Investing Activities</b>	
Interest	5,629
<i>Net Cash Provided by Investing Activities</i>	5,629
<i>Net Decrease in Cash and Cash Equivalents</i>	(122,014)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,045,094
<i>Cash and Cash Equivalents End of Year</i>	\$923,080
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$116,480)
Decrease in Accounts Receivable	118,516
Decrease in Claims Payable	(129,679)
<i>Net Cash Used for Operating Activities</i>	(\$127,643)

See accompanying notes to the basic financial statements.



**Shadyside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2016*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$45,372</u>
<i>Total Assets</i>	<u><u>\$45,372</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$396
Due to Students	<u>44,976</u>
<i>Total Liabilities</i>	<u><u>\$45,372</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, 2016

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

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

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

The School District is located in Belmont County. The Board controls the School District’s four instructional/support facilities staff by 22 non-certificated employees, 50 certificated teaching personnel, and 8 administrators who provide services to 834 students and other community members.

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

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations for which the School District approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The School District has no discretely reported component units.

The School District is involved with the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Coalition of Rural and Appalachian Schools (CORAS), 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 Stark County Schools’ Council of Government Health Benefits Program (COG), which is defined as a shared risk insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's general purpose financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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, 2016

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

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

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

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

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

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

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

### **C. Measurement Focus**

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**D. Basis of Accounting**

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial Statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 10 for more information.

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

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

**E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**F. 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 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$1,822, which includes \$689 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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**G. 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.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. 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.

**J. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the 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 capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**K. Interfund Balances**

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



**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**L. 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.

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.

**M. 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 are recognized as a liability on the governmental fund financial statements when due.

**N. Internal Activity**

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

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

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

**O. Fund Balance**

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

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

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

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

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

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**P. Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local resources to be used for student programs.

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

**Q. 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.

**R. 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.

**S. 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.

**T. 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.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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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.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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).

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$1,211,508
Revenue Accruals	(11,791)
Expenditure Accruals	29,511
Encumbrances	<u>(29,315)</u>
Budget Basis	<u><u>\$1,199,913</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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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, 2016, the School District's internal service fund had a balance of \$923,080 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool. 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. The School District terminated its membership with the Jefferson Health Plan Self-Insurance Plan effective January 1, 2016, and has contracted with the Health Plan of the Upper Ohio Valley to administer run-out claims through December 31, 2016, at which point the remaining cash balance will be returned to the School District's treasury. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the bank balance was \$4,910,733. Of the bank balance \$250,000 was covered by Federal Depository Insurance and the remaining balance of \$4,660,733 was covered by pooled collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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Investments

As of June 30, 2016, the School District had an investment in STAR Ohio. The fair value of the investments in STAR Ohio was \$135,802, and the investment has an average maturity of 48.6 days.

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

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

**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 and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2016 was \$89,895 in the General Fund and \$7,514 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2015 was \$124,795 in the General Fund and \$12,347 in the Permanent Improvement Fund.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	<u>2015 Second- Half Collections</u>		<u>2016 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$73,794,560	91.0%	\$80,604,840	91.1%
Public Utility Personal	<u>7,265,830</u>	<u>9.0%</u>	<u>7,902,420</u>	<u>8.9%</u>
	<u>\$81,060,390</u>	<u>100.0%</u>	<u>\$88,507,260</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$40.11		\$40.11	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016, consisted of property taxes, tuition and fees, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as receivable in the amount of \$110,396 may not be collected within one year. All other receivables, with the exception of revenue in lieu of taxes addressed below, are expected to be collected within one year.

The intergovernmental receivable is as follows:

<b><u>Governmental Activities</u></b>	<u>Amounts</u>
Excess Costs from Other School Districts	\$99,544
Title I Grant	37,300
IDEA Part B Grant	6,159
Early Childhood - Preschool Grant	26,523
Bureau of Workers' Compensation Refund	<u>4,119</u>
Total Intergovernmental Receivables	<u>\$173,645</u>



**Shadyside Local School District**  
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For the Fiscal Year Ended June 30, 2016

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Nondepreciable Capital Assets:</b>				
Land	\$42,289	\$0	\$0	\$42,289
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,185,135	32,995	0	1,218,130
Buildings and Improvements	3,842,881	639,337	0	4,482,218
Furniture, Equipment and Software	2,058,755	169,705	(62,441)	2,166,019
Vehicles	473,451	274,720	(46,490)	701,681
<b>Total Depreciable Capital Assets</b>	<b>7,560,222</b>	<b>1,116,757</b>	<b>(108,931)</b>	<b>8,568,048</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(874,022)	(25,243)	0	(899,265)
Buildings and Improvements	(2,953,900)	(68,328)	0	(3,022,228)
Furniture, Equipment and Software	(1,695,071)	(67,538)	47,869	(1,714,740)
Vehicles	(356,308)	(18,081)	46,490	(327,899)
<b>Total Accumulated Depreciation</b>	<b>(5,879,301)</b>	<b>(179,190)</b>	<b>94,359</b>	<b>(5,964,132)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>1,680,921</b>	<b>937,567</b>	<b>(14,572)</b>	<b>2,603,916</b>
<b>Governmental Capital Assets, Net</b>	<b>\$1,723,210</b>	<b>\$937,567</b>	<b>(\$14,572)</b>	<b>\$2,646,205</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$81,695
Special	9,638
Vocational	3,812
<b>Support Services:</b>	
Administration	13,292
Fiscal	910
Operation of Maintenance and Plant	28,290
Pupil Transportation	18,922
Food Service Operations	6,013
Extracurricular	16,618
<b>Total Depreciation Expense</b>	<b>\$179,190</b>

**Shadyside Local School District**  
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**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015 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 18). The Shadyside Local School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

Building and Contents-replacement cost (\$1,000 deductible)	\$32,648,564
Automotive Liability (\$1,000 deductible)	3,000,000
Uninsured Motorist	1,000,000
<i>General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employer's Liability:</i>	
Each Occurrence	3,000,000

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

**B. Workers' Compensation**

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Shadyside Local School District**  
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**C. Employee Benefits**

Medical/surgical, prescription drug, life and dental insurance was offered to all employees through the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool through December 31, 2015. The School District continued to contract with the pool for payment of run-out claims through December 31, 2016.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>		<u>Balance at End of Year</u>
2015	\$121,722	\$1,020,462	\$1,012,505		\$129,679
2016	129,679	584,433	714,112	(1)	0
			\$787,535		
			(73,423)		
			<u>\$714,112</u>		

(1) Cash Payments for Claims \$787,535  
- Stop Loss Received for 2016 Claims (73,423)  
Claims Payments \$714,112

Effective January 1, 2016, the School District contracted with the Stark County Schools' Council of Government Health Benefits Program, (COG) to provide employee medical/surgical and dental, and vision benefits. The COG's Health Benefits Program is a shared risk pool comprised of 90 member school districts, educational service centers and related agencies. See Note 19 for further information about the COG. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims. Premiums for this coverage are \$701.36 for individual coverage per month and \$1,703.77 for family coverage per month; the Board pays 90 percent of the premium. The premium is paid from the fund that pays the salary of the covered employee. Dental premiums are \$89.05 for individual coverage per month and \$219.72 for family coverage per month; the Board pays 90 percent of the premium. Premiums for the vision coverage are \$19.00 for individual coverage per month and \$46.66 for family coverage per month; the Board pays 90 percent of the premium. The premium is paid from the fund that pays the salary of the covered employee.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions— between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer school district, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about the SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$114,742 for fiscal year 2016. Of this amount, \$3,860 has been reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five year of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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Notes to the Basic Financial Statements  
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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore as included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before services retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$393,479 for fiscal year 2016. Of this amount \$65,828 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02365300%	0.02800781%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.02506990%</u>	<u>0.02702068%</u>	
Change in Proportionate Share	<u>0.00141690%</u>	<u>-0.00098713%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,430,511	\$7,467,725	\$8,898,236
Pension Expense	\$110,652	\$281,609	\$392,261

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$23,034	\$340,434	\$363,468
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	62,533	0	62,533
School District contributions subsequent to measurement date	<u>114,742</u>	<u>393,479</u>	<u>508,221</u>
Total Deferred Outflows of Resources	<u><u>\$200,309</u></u>	<u><u>\$733,913</u></u>	<u><u>\$934,222</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$47,397	\$537,070	\$584,467
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>231,886</u>	<u>231,886</u>
Total Deferred Inflows of Resources	<u><u>\$47,397</u></u>	<u><u>\$768,956</u></u>	<u><u>\$816,353</u></u>

\$508,221 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$2,765	(\$179,170)	(\$176,405)
2018	2,765	(179,170)	(176,405)
2019	2,656	(179,170)	(176,514)
2020	<u>29,984</u>	<u>108,988</u>	<u>138,972</u>
Total	<u><u>\$38,170</u></u>	<u><u>(\$428,522)</u></u>	<u><u>(\$390,352)</u></u>

**Actuarial Assumption - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State Statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.



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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,983,607	\$1,430,511	\$964,762

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living-Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,373,234	\$7,467,725	\$5,010,685

**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, 2016, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$14,990.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$6,189, and \$881, respectively; 100 percent has been contributed for fiscal years 2016, 2015, and 2014.

***State Teachers Retirement System (STRS)***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0 and \$26,917 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time.

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

For certified employees hired prior to August 1, 2012, upon retirement, payment is made for 30 percent of accumulated sick leave at 30 years; 29 percent of accumulated sick leave at 31 years, 28 percent of accumulated unused sick leave at 32 years; 27 percent of accumulated sick leave at 33 years; 26 percent of accumulated sick leave at 34 years; and 25 percent of accumulated sick leave at 35 years.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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If an employee is eligible to retire at less than 30 years of credited service, severance will be calculated in the following manner:

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

For certified employees hired after August 1, 2012, upon retirement, payment is made for 27.5 percent of accumulated sick leave at 30 years; 26.5 percent of accumulated sick leave at 31 years, 25.5 percent of accumulated unused sick leave at 32 years; 24.5 percent of accumulated sick leave at 33 years; 23.5 percent of accumulated sick leave at 34 years; and 22.5 percent of accumulated sick leave at 35 years. If an employee is eligible to retire at less than 30 years of credited service, severance will be calculated in the following manner:

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

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

**B. Other Insurance Benefits**

Life insurance is provided in the amount of \$40,000 for all certified teachers and classified employees whose salary is at least \$15,000; \$15,000 for classified employees whose salary is less than \$15,000; and \$20,000 for classified employees whose salary is more than \$15,000. The monthly premium for life insurance is \$0.137 per \$1,000 of coverage. The Board pays 100 percent of the premiums.

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

During fiscal year 2016, the School District entered into a capitalized lease for the financing of a House Bill 264 Energy Conservation Project. The School District has also entered into a capitalized lease for copying equipment. The previously existing capital lease for copying equipment was early-terminated during the fiscal year. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$670,139, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$641,142. Principal payments in fiscal year 2016 totaled \$24,889; the termination of the existing leases was netted with the loss on the disposal of capital assets in the amount of \$12,133.

Future minimum lease payments through fiscal year 2031 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$44,109	\$28,649
2018	46,699	26,059
2019	49,477	23,280
2020	52,460	20,298
2021	45,326	17,299
2022-2026	199,495	62,954
2027-2031	215,729	20,476
Totals	<u>\$653,295</u>	<u>\$199,015</u>

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 14 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due In One Year
Net Pension Liability *					
SERS	\$1,197,064	\$233,447	\$0	\$1,430,511	\$0
STRS	6,812,468	655,257	0	7,467,725	0
Total Net Pension Liability	8,009,532	888,704	0	8,898,236	0
Capital Leases	20,178	670,139	37,022	653,295	44,109
Long-Term Intergovernmental Payable	0	25,000	5,000	20,000	5,000
Compensated Absences	441,987	72,100	140,290	373,797	69,008
<b>Total General Long-Term Obligations</b>	<b>\$8,471,697</b>	<b>\$1,655,943</b>	<b>\$182,312</b>	<b>\$9,945,328</b>	<b>\$118,117</b>

The School District's overall legal debt margin was \$7,967,157, with an unvoted debt margin of \$88,507 at June 30, 2016.

On December 2, 2015 the Shadyside School District Board of Education signed an addendum to Service Agreement with the East Central Ohio Educational Service Center Governing Board (ECOESC). The Board of Education and the ECOESC wish to include an additional service to the services that the ECOESC will provide to the Board of Education pursuant to Section 3313.845 of Ohio Revised Code. In consideration of the services contained in the addendum the ECOESC will purchase property to be used for the delivery of educational services to students served by the Belmont County school district clients of the ECOESC. In consideration of the above, the Board agrees to pay ECOESC, the sum of \$5,000 per year for a period of five years, for a total payment of \$25,000. The first installment was paid on January 7, 2016, and subsequent payments shall be made no later than January 1 each year thereafter.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Capital leases will be paid from the Permanent Improvement Fund. Compensated absences will be paid from the General Fund.

**NOTE 15 - COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$29,315
Permanent Improvement Fund	<u>26,912</u>
Total	<u><u>\$56,227</u></u>

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 16 - INTERNAL BALANCES AND TRANSFERS**

Interfund balances at June 30, 2016 consisted of the following individual interfund receivables and payables:

	Interfund Receivable
<u>Interfund Payable</u>	General Fund
Other Nonmajor Governmental	\$19,840

The loans were made to the Miscellaneous State Grant Fund, and the Miscellaneous Federal Grant Fund to support the programs until grant monies are received to operate the programs.

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	Transfers To
<u>Transfers from</u>	Other Non-major Governmental
General Fund	\$42,559
Permanent Improvement Fund	26,245
Total	\$68,804

The transfers were used to move receipts from the General Fund to provide additional funding to cover the costs of the Food Service Fund, and the Miscellaneous Local Fund. Transfers were also made to move money from the Permanent Improvement Capital Projects Fund to the Debt Service for capital lease payments on the HB264 Energy Conservation Lease.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Belmont-Harrison Vocational School District* – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2016, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2015, the total amount paid to OME-RESA from the School District was \$967 for cooperative gas purchasing service administrative fees, \$14,475 for technology services and \$16,981 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The School District’s membership fee was \$325 for fiscal year 2016.

**NOTE 18 - PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

*Ohio School Boards Association Workers’ Compensation Group Rating Plan* – The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District’s enrollment fee of \$2,305 for policy year 2016 was paid to CompManagement, Inc.

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

**B. Shared Risk Insurance Purchasing Pool**

*The Stark County Schools’ Council of Government Health Benefits Program (COG)* – The Stark County Schools’ Council of Governments (COG) Health Benefits program is a shared risk pool created pursuant to State Statute for the purposes of administering health care benefits. The COG is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the COG. Only the representatives from the original 19 Stark County school district members at the time of foundation have a vote in the assembly. All COG revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

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

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	168,978
Current Year Offsets	<u>(242,333)</u>
Totals	<u>(\$73,355)</u>
Balance Carried Forward to Fiscal Year 2017	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2016	<u>\$0</u>

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

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

**B. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

**C. Litigation**

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



**Shadyside Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**D. Paid Up Oil/Gas Lease**

*Gulfport Energy Corporation* - The Shadyside Local Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Gulfport Energy Corporation for 21.3577 acres of property owned by the Board. The lease is effective beginning December 18, 2013 for a five year period. In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$154,843 in fiscal year 2014. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. The total carrying value of the land leased is \$42,289. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any compensation beyond the bonus.

**NOTE 21 - GOING CONCERN**

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

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

The School District passed a 3 year, 6 mill emergency levy in May 2006. This levy raised an additional \$519,472 per year, with collections beginning in calendar year 2007. The Renewal of the Emergency Levy was defeated by the taxpayers, which resulted in the levy ceasing to be collected following calendar year 2009.

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

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

In November 2013, voters approved a five year, 4.61 mill emergency operating levy, which began collection in fiscal year 2014. The levy is expected to generate approximately \$365,000 in tax revenue.

In an attempt to increase savings in the short-term and better control costs in the long-term, the School District terminated its participation in the Jefferson Health Plan Self-Insurance Plan during fiscal year 2016. Beginning January 1, 2016, the School District is a member of the Stark County Schools’ Council of Government Health Benefits Program, a shared risk insurance purchasing pool.

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

**NOTE 22 - SUBSEQUENT EVENTS**

On June 29, 2016 the Board of Education approved a tentative agreement with the certified staff, represented by the Shadyside Education Association (SEA), which was subsequently executed by both parties on August 26, 2016. The contract is effective for the period of July 1, 2016 through June 30, 2019.

**Shadyside Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.02506990%	0.02365300%	0.02365300%
School District's Proportionate Share of the Net Pension Liability	\$1,430,511	\$1,197,064	\$1,406,568
School District's Covered-Employee Payroll	\$754,734	\$687,322	\$715,556
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.54%	174.16%	196.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Shadyside Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.02702068%	0.02800781%	0.02800781%
School District's Proportionate Share of the Net Pension Liability	\$7,467,725	\$6,812,468	\$8,114,968
School District's Covered-Employee Payroll	\$2,804,129	\$2,847,538	\$2,897,343
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	266.31%	239.24%	280.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Shadyside Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Nine Fiscal Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$114,742	\$99,474	\$95,263	\$99,033
Contributions in Relation to the Contractually Required Contribution	<u>(114,742)</u>	<u>(99,474)</u>	<u>(95,263)</u>	<u>(99,033)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$819,586	\$754,730	\$687,323	\$715,556
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$95,332	\$90,923	\$97,790	\$67,080	\$62,184
<u>(95,332)</u>	<u>(90,923)</u>	<u>(97,790)</u>	<u>(67,080)</u>	<u>(62,184)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$708,791	\$723,337	\$722,228	\$681,711	\$633,237
13.45%	12.57%	13.54%	9.84%	9.82%

**Shadyside Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$393,479	\$392,578	\$370,180	\$376,655
Contributions in Relation to the Contractually Required Contribution	<u>(393,479)</u>	<u>(392,578)</u>	<u>(370,180)</u>	<u>(376,655)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,810,564	\$2,804,129	\$2,847,538	\$2,897,343
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$384,534	\$368,370	\$364,066	\$363,312	\$350,139	\$372,570
<u>(384,534)</u>	<u>(368,370)</u>	<u>(364,066)</u>	<u>(363,312)</u>	<u>(350,139)</u>	<u>(372,570)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,957,957	\$2,833,614	\$2,800,507	\$2,794,707	\$2,693,379	\$2,865,921
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shadyside Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 13, 2017, wherein we noted the School District was placed in fiscal caution by the Ohio Department of Education on April 12, 2004 due to projected General Fund deficit.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 13, 2017



# Dave Yost • Auditor of State

SHADYSIDE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 28, 2017