



OHIO AUDITOR OF STATE
KEITH FABER



**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY
JUNE 30, 2020**

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**SHADYSIDE LOCAL SCHOOL DISTRICT
BELMONT COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2020, 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 such 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, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during fiscal year 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of the District's financial statements. Also, as discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

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 and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit 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 January 8, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The discussion and analysis of the Shadyside Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. 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 2020 are as follows:

- In total, net position increased \$483,705.
- General revenues accounted for \$6,772,040 in revenue or approximately 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$2,667,083 or approximately 28 percent of total revenues of \$9,439,123.
- Total assets of governmental activities increased \$1,228,453, primarily due to an increase in equity in pooled cash and cash equivalents and property taxes receivable. The increase was offset by decreases to intergovernmental receivable. Total liabilities of governmental activities decreased \$8,571, primarily due to decreases in long-term debt obligations for capital leases and the net pension/OPEB liabilities.
- The School District had \$8,955,418 in expenses related to governmental activities; only \$2,667,083 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$6,772,040 were adequate to provide for these programs.
- Total governmental funds had \$9,466,901 in revenues and \$8,585,884 in expenditures. Overall, the net change in total governmental fund balances, including other financing sources and (uses), was an increase of \$881,017.

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, 2020
Unaudited

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 2020?" 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 fiscal 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, food service operations, extracurricular activities, and debt service operations.

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 only major governmental fund is the General 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.

Reporting the School District's Fiduciary Responsibilities

The School District acts as custodian of funds for organizations and other government units. These activities are reported as custodial funds. The School District's fiduciary activities are reported in a separate Statement of Changes in Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
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 2020 compared to 2019. The amounts for 2019 have been restated for the implementation of GASB 84.

Table 1			
Net Position			
	2020	2019	Change
Assets			
Current and Other Assets	\$12,648,186	\$11,339,563	\$1,308,623
Net OPEB Asset	418,048	421,519	(3,471)
Capital Assets	2,368,557	2,445,256	(76,699)
<i>Total Assets</i>	15,434,791	14,206,338	1,228,453
Deferred Outflows of Resources			
Pension	1,439,369	1,961,461	(522,092)
OPEB	209,424	135,127	74,297
<i>Total Deferred Outflows of Resources</i>	1,648,793	2,096,588	(447,795)
Liabilities			
Current and Other Liabilities	943,621	894,127	49,494
Long-Term Liabilities:			
Due Within One Year	105,566	130,228	(24,662)
Due in More Than One Year:			
Net Pension Liability	7,302,649	7,350,824	(48,175)
Net OPEB Liability	737,689	772,833	(35,144)
Other Amounts	870,915	820,999	49,916
<i>Total Liabilities</i>	9,960,440	9,969,011	(8,571)
Deferred Inflows of Resources			
Property Taxes	2,651,651	2,245,869	405,782
Pension	617,393	704,786	(87,393)
OPEB	744,714	757,579	(12,865)
<i>Total Deferred Inflows of Resources</i>	4,013,758	3,708,234	305,524
Net Position			
Net Investment in Capital Assets	1,917,862	1,932,246	(14,384)
Restricted	628,065	629,511	(1,446)
Unrestricted	563,459	63,924	499,535
<i>Total Net Position</i>	\$3,109,386	\$2,625,681	\$483,705

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The net pension liability (NPL) is the largest liability reported by the School District at June 30, 2020. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

Total assets of governmental activities increased \$1,228,453. Current and other assets increased \$1,308,623, primarily due to increases in equity in pooled cash and cash equivalents resulting from conservative spending and increases in property taxes receivable resulting from increased assessed values. The School District also reflects an OPEB asset in the amount of \$418,048. Capital assets decreased in the amount of \$76,699, due to annual depreciation exceeding capital asset additions.

Total liabilities decreased \$8,571. Current and other liabilities increased \$49,494, primarily due to increases in accrued wages and benefits payable, which was offset by a decrease in accounts payable and intergovernmental payable. Long-term liabilities decreased \$58,065, primarily due to decreases in annual debt service on the capital leases as well as the net pension/OPEB liability.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives the readers further details regarding the results of activities for 2020 and 2019.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
Changes in Net Position

	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,615,133	\$1,676,277	(\$61,144)
Operating Grants and Contributions	935,442	933,154	2,288
Capital Grants and Contributions	116,508	0	116,508
<i>Total Program Revenues</i>	<u>2,667,083</u>	<u>2,609,431</u>	<u>57,652</u>
General Revenues:			
Property Taxes	3,139,080	2,510,785	628,295
Grants and Entitlements not Restricted to Specific Programs	3,535,310	3,656,605	(121,295)
Others	97,650	119,394	(21,744)
<i>Total General Revenues</i>	<u>6,772,040</u>	<u>6,286,784</u>	<u>485,256</u>
<i>Total Revenues</i>	<u>9,439,123</u>	<u>8,896,215</u>	<u>542,908</u>
Program Expenses			
Instruction:			
Regular	4,361,486	3,568,676	792,810
Special	1,057,636	1,034,388	23,248
Vocational	17,018	19,866	(2,848)
Support Services:			
Pupils	285,386	221,789	63,597
Instructional Staff	123,612	107,725	15,887
Board of Education	83,598	63,183	20,415
Administration	1,004,817	692,082	312,735
Fiscal	359,371	337,377	21,994
Operation and Maintenance of Plant	863,626	756,204	107,422
Pupil Transportation	355,032	300,418	54,614
Food Service Operation	147,450	149,471	(2,021)
Extracurricular Activities	277,631	207,472	70,159
Interest and Fiscal Charges	18,755	23,176	(4,421)
<i>Total Expenses</i>	<u>8,955,418</u>	<u>7,481,827</u>	<u>1,473,591</u>
Change in Net Position	483,705	1,414,388	(930,683)
Restatement (Note 3)	0	53,261	(53,261)
<i>Net Position Beginning of Year</i>	<u>2,625,681</u>	<u>1,158,032</u>	<u>1,467,649</u>
<i>Net Position End of Year</i>	<u><u>\$3,109,386</u></u>	<u><u>\$2,625,681</u></u>	<u><u>\$483,705</u></u>

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In fiscal year 2020, approximately 33 percent of the School District's revenues were from property taxes, and approximately 37 percent were from unrestricted grants and entitlements. Charges for services and sales program revenue decreased \$61,144, primarily due to decreases in tuition and fees. Operating grants and contributions program revenue increased \$2,288. Capital grants and contributions program revenue increased \$116,508, due to contributions for stadium lockers and turf for the football field project that is scheduled to be started and completed during fiscal year 2021.

Instructional programs comprise approximately 61 percent of total governmental program expenses. Of the instructional expenses, approximately 80 percent is for regular instruction, approximately 19 percent is for special instruction, and approximately 1 percent is for vocational instruction. Overall program expenses increased \$1,473,591, most noticeably in regular instruction. The largest component of the increase in program expenses is primarily due to an increase in pension and OPEB expense.

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 2020 compared to fiscal year 2019. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Program Expenses				
Instruction:				
Regular	\$4,361,486	\$3,568,676	\$2,807,080	\$1,928,823
Special	1,057,636	1,034,388	494,962	399,728
Vocational	17,018	19,866	3,946	6,794
Support Services:				
Pupils	285,386	221,789	229,752	221,789
Instructional Staff	123,612	107,725	123,612	101,995
Board of Education	83,598	63,183	82,936	62,123
Administration	1,004,817	692,082	1,004,571	691,524
Fiscal	359,371	337,377	358,740	336,316
Operation and Maintenance of Plant	863,626	756,204	819,921	726,346
Pupil Transportation	355,032	300,418	354,347	299,276
Food Service Operations	147,450	149,471	60,602	28,011
Extracurricular Activities	277,631	207,472	(70,889)	46,495
Interest and Fiscal Charges	18,755	23,176	18,755	23,176
<i>Total Expenses</i>	<u>\$8,955,418</u>	<u>\$7,481,827</u>	<u>\$6,288,335</u>	<u>\$4,872,396</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 70 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, 2020
Unaudited

The School District Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$8,282,759 in revenues and \$7,355,090 in expenditures. Overall, including other financing uses, the General Fund's balance increased \$877,974 due to increases in property taxes revenue and contributions and donations, which were offset by decreases in intergovernmental revenue for federal grants and tuition and fees for decreased enrollment.

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 year 2020, the School District amended its General Fund estimated revenues and appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The most significant change between final revenues and actual activity reflects an increase in contribution and donations. There were differences between budgeted and actual expenditures, as spending was less than budgeted in most categories, most notably for regular instruction.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the School District had \$2,368,557 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, 2020, the School District had \$450,695 outstanding in capital leases, with \$35,471 due within one year. See Note 14 for more information regarding the School District's debt and other long-term obligations, including long-term intergovernmental payable, compensated absences, and the net pension/OPEB liability.

Economic Factors

The Shadyside Local School District's current financial forecast reflects positive balances through fiscal year 2025. The School District was released from Fiscal Caution in November of 2017 and the Board of Education and Administration continues to closely monitor the School District's finances. The School District receives revenue from the State Foundation monies which includes Capacity Aid. The Capacity Aid portion of the State Foundation Payment consists of additional funding due to the School District's income being generated for one mill of property taxes being below the State median. By monitoring both tax collections and expenditures, the School District did not seek renewal of the Emergency Levy. The School District continues to receive a grant from Belmont County Board of Developmental Disabilities in the amount of \$100,000 annually. The School District is showing a loss of enrollment for fiscal year 2021, and open enrollment has declined.

The School District has realized additional savings due to a turnover of staff and the hiring of new teachers at lower salaries. The School District has also realized cost savings by joining the Stark County Schools' Council of Government Health Benefits Program. By continuing to monitor both revenues and expenditures, the School District has returned to a stable financial environment.

Shadyside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,290,994
Intergovernmental Receivable	87,130
Prepaid Items	53,166
Materials and Supplies Inventory	2,190
Property Taxes Receivable	3,214,706
Net OPEB Asset	418,048
Non-Depreciable Capital Assets	42,289
Depreciable Capital Assets, Net	2,326,268
<i>Total Assets</i>	15,434,791
Deferred Outflows of Resources	
Pension	1,439,369
OPEB	209,424
<i>Total Deferred Outflows of Resources</i>	1,648,793
Liabilities	
Accounts Payable	21,864
Accrued Wages and Benefits Payable	649,870
Intergovernmental Payable	233,251
Matured Severance Payable	37,207
Accrued Interest Payable	1,429
Long-Term Liabilities:	
Due Within One Year	105,566
Due In More Than One Year:	
Net Pension Liability	7,302,649
Net OPEB Liability	737,689
Other Amounts	870,915
<i>Total Liabilities</i>	9,960,440
Deferred Inflows of Resources	
Property Taxes	2,651,651
Pension	617,393
OPEB	744,714
<i>Total Deferred Inflows of Resources</i>	4,013,758
Net Position	
Net Investment in Capital Assets	1,917,862
Restricted For:	
Debt Service	75
Capital Projects	500,113
Bus Purchase	2,126
Federal Programs	13,269
Student Activity Programs	74,593
Other Purposes	37,889
Unrestricted	563,459
<i>Total Net Position</i>	\$3,109,386

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,361,486	\$1,339,449	\$214,957	\$0	(\$2,807,080)
Special	1,057,636	0	562,674	0	(494,962)
Vocational	17,018	0	13,072	0	(3,946)
Support Services:					
Pupils	285,386	0	55,634	0	(229,752)
Instructional Staff	123,612	0	0	0	(123,612)
Board of Education	83,598	0	662	0	(82,936)
Administration	1,004,817	0	246	0	(1,004,571)
Fiscal	359,371	0	631	0	(358,740)
Operation and Maintenance of Plant	863,626	0	39,197	4,508	(819,921)
Pupil Transportation	355,032	0	685	0	(354,347)
Food Service Operations	147,450	39,164	47,684	0	(60,602)
Extracurricular Activities	277,631	236,520	0	112,000	70,889
Interest and Fiscal Charges	18,755	0	0	0	(18,755)
<i>Total Governmental Activities</i>	<u>\$8,955,418</u>	<u>\$1,615,133</u>	<u>\$935,442</u>	<u>\$116,508</u>	<u>(6,288,335)</u>
General Revenues					
					2,782,883
Property Taxes Levied for General Purposes					356,197
Property Taxes Levied for Capital Purposes					3,535,310
Grants and Entitlements not Restricted to Specific Programs					77,519
Investment Earnings					1,000
Contributions and Donations					19,131
Miscellaneous					
<i>Total General Revenues</i>					<u>6,772,040</u>
<i>Change in Net Position</i>					483,705
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					<u>2,625,681</u>
<i>Net Position End of Year</i>					<u><u>\$3,109,386</u></u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,701,287	\$587,581	\$9,288,868
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	2,126	0	2,126
Receivables:			
Property Taxes	2,864,078	350,628	3,214,706
Intergovernmental	87,130	0	87,130
Prepaid Items	53,166	0	53,166
Materials and Supplies Inventory	0	2,190	2,190
<i>Total Assets</i>	<u>\$11,707,787</u>	<u>\$940,399</u>	<u>\$12,648,186</u>
Liabilities			
Accounts Payable	\$9,853	\$12,011	\$21,864
Accrued Wages and Benefits Payable	630,871	18,999	649,870
Intergovernmental Payable	233,223	28	233,251
Matured Severance Payable	37,207	0	37,207
<i>Total Liabilities</i>	<u>911,154</u>	<u>31,038</u>	<u>942,192</u>
Deferred Inflows of Resources			
Property Taxes	2,363,004	288,647	2,651,651
Unavailable Revenue	156,164	8,813	164,977
<i>Total Deferred Inflows of Resources</i>	<u>2,519,168</u>	<u>297,460</u>	<u>2,816,628</u>
Fund Balances			
Nonspendable:			
Materials and Supplies Inventory	0	2,190	2,190
Prepaid Items	53,166	0	53,166
Restricted for:			
Debt Service	0	1,504	1,504
Capital Projects	0	491,300	491,300
Bus Purchase	2,126	0	2,126
Federal Programs	0	13,269	13,269
Student Activity Programs	0	74,593	74,593
Other Purposes	0	37,889	37,889
Committed to Capital Projects	112,000	0	112,000
Assigned to Future Appropriations	1,436,874	0	1,436,874
Unassigned (Deficit)	6,673,299	(8,844)	6,664,455
<i>Total Fund Balances</i>	<u>8,277,465</u>	<u>611,901</u>	<u>8,889,366</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$11,707,787</u>	<u>\$940,399</u>	<u>\$12,648,186</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, 2020*

Total Governmental Fund Balances \$8,889,366

*Amounts reported for governmental activities on 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. 2,368,557

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:

Delinquent Property Taxes	77,847	
Tuition and Fees Revenues	87,130	
Total		164,977

On the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (1,429)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Capital Leases	450,695	
Compensated Absences	525,786	
Total		(976,481)

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

Net OPEB Asset	418,048	
Deferred Outflows - Pension	1,439,369	
Deferred Outflows - OPEB	209,424	
Net Pension Liability	(7,302,649)	
Net OPEB Liability	(737,689)	
Deferred Inflows - Pension	(617,393)	
Deferred Inflows - OPEB	(744,714)	
Total		(7,335,604)

Net Position of Governmental Activities \$3,109,386

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, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,792,216	\$357,307	\$3,149,523
Intergovernmental	3,883,281	587,471	4,470,752
Interest	72,392	5,127	77,519
Tuition and Fees	1,354,745	0	1,354,745
Extracurricular Activities	47,243	189,277	236,520
Contributions and Donations	112,000	5,508	117,508
Charges for Services	2,039	39,164	41,203
Miscellaneous	18,843	288	19,131
<i>Total Revenues</i>	<u>8,282,759</u>	<u>1,184,142</u>	<u>9,466,901</u>
Expenditures			
Current:			
Instruction:			
Regular	3,905,153	357,494	4,262,647
Special	725,066	256,169	981,235
Vocational	13,072	0	13,072
Support Services:			
Pupils	227,186	55,758	282,944
Instructional Staff	108,883	0	108,883
Board of Education	77,007	6,591	83,598
Administration	912,552	2,451	915,003
Fiscal	328,106	6,284	334,390
Operation and Maintenance of Plant	623,740	176,322	800,062
Pupil Transportation	271,602	6,824	278,426
Food Service Operations	0	132,930	132,930
Extracurricular Activities	162,723	175,116	337,839
Debt Service:			
Principal Retirement	0	35,992	35,992
Interest and Fiscal Charges	0	18,863	18,863
<i>Total Expenditures</i>	<u>7,355,090</u>	<u>1,230,794</u>	<u>8,585,884</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>927,669</u>	<u>(46,652)</u>	<u>881,017</u>
Other Financing Sources (Uses)			
Transfers In	0	102,185	102,185
Transfers Out	(49,695)	(52,490)	(102,185)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,695)</u>	<u>49,695</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	877,974	3,043	881,017
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>7,399,491</u>	<u>608,858</u>	<u>8,008,349</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,277,465</u></u>	<u><u>\$611,901</u></u>	<u><u>\$8,889,366</u></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, 2020*

Net Change in Fund Balances - Total Governmental Funds \$881,017

Amounts reported for governmental activities on the Statement of Activities are different because:

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

Capital Asset Additions	154,550	
Current Year Depreciation	<u>(206,409)</u>	
Total		(51,859)

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.		(24,840)
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Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Delinquent Property Taxes	(10,443)	
Tuition and Fees Revenues	<u>(17,335)</u>	
Total		(27,778)

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

Capital Leases		62,315
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities.		108
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Some expenses reported on the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in the funds:

Compensated Absences Payable	(92,569)	
Intergovernmental Payable	<u>5,000</u>	
Total		(87,569)

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

Pension	588,798	
OPEB	<u>18,592</u>	
Total		607,390

Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB (asset)/liability are reported as pension/OPEB expense on the Statement of Activities:

Pension	(975,322)	
OPEB	<u>100,243</u>	
Total		<u>(875,079)</u>

<i>Change in Net Position of Governmental Activities</i>		<u><u>\$483,705</u></u>
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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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,299,097	\$2,570,716	\$2,574,655	\$3,939
Intergovernmental	3,421,891	3,832,668	3,893,716	61,048
Interest	62,363	70,000	72,392	2,392
Tuition and Fees	1,210,078	1,353,000	1,354,745	1,745
Extracurricular Activities	53,116	58,100	47,243	(10,857)
Contributions and Donations	0	0	112,000	112,000
Charges for Services	3,785	4,000	2,039	(1,961)
Miscellaneous	5,739	7,727	18,843	11,116
<i>Total Revenues</i>	<u>7,056,069</u>	<u>7,896,211</u>	<u>8,075,633</u>	<u>179,422</u>
Expenditures				
Current:				
Instruction:				
Regular	4,413,590	4,566,490	4,194,242	372,248
Special	791,928	819,728	693,926	125,802
Vocational	0	0	13,072	(13,072)
Support Services:				
Pupil	258,402	266,742	225,725	41,017
Instructional Staff	110,166	112,946	108,224	4,722
Board of Education	68,743	71,523	79,737	(8,214)
Administration	945,980	979,340	869,163	110,177
Fiscal	331,366	345,266	325,552	19,714
Operation and Maintenance of Plant	705,393	1,017,973	992,320	25,653
Pupil Transportation	363,739	363,739	266,470	97,269
Extracurricular Activities	180,601	186,161	167,370	18,791
<i>Total Expenditures</i>	<u>8,169,908</u>	<u>8,729,908</u>	<u>7,935,801</u>	<u>794,107</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,113,839)	(833,697)	139,832	973,529
Other Financing Uses				
Transfers Out	(35,000)	(35,000)	(49,695)	(14,695)
<i>Total Other Financing Sources</i>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(49,695)</u>	<u>(14,695)</u>
<i>Net Change in Fund Balance</i>	(1,148,839)	(868,697)	90,137	958,834
<i>Fund Balance Beginning of Year</i>	7,932,490	7,932,490	7,932,490	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,273</u>	<u>3,273</u>	<u>3,273</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,786,924</u>	<u>\$7,067,066</u>	<u>\$8,025,900</u>	<u>\$958,834</u>

See accompanying notes to the basic financial statements

Shadyside Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Custodial Fund</u>
Additions	
Amounts Collected for Other Organizations	\$12,447
Deductions	
Distributions to Other Organizations	12,447
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$0

See accompanying notes to the basic financial statements

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

The School District is located in Belmont County. The Board controls the School District's four instructional/support facilities staff by 20 non-certificated employees, 49 certificated teaching personnel, and 11 administrators who provide services to 720 students and other community members.

Reporting Entity

A reporting entity is composed 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 Program (GRP) and the Ohio School Plan (OSP), which are defined as insurance purchasing pools; and the 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.

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 as follows:

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 School District, except for fiduciary funds. 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 fiscal yearend. 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 fiscal 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. Fiduciary funds are reported by type.

Fund Accounting

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

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

General Fund - The General Fund accounts for and reports 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's custodial fund is used to account for assets held by the School District and distributed for the benefit of Ohio High School Athletic Association.

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.

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resource measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from custodial funds.

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. 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, 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, and donations are 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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: 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 pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

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, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance 2021 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 receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 14. Net Deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. See Notes 10 and 11 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.

Pensions/Other Postemployment Benefits (OPEB)

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.”

During fiscal year 2020, 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 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2020 amounted to \$72,392, which includes \$4,889 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. The School District had no investments meeting the above criteria.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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 fiscal year in which services are consumed.

Inventory

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 proprietary funds. 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 fiscal 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 School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except for land. 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	5-20 Years
Buildings and Improvements	5-50 Years
Furniture, Fixtures, and Equipment	5-20 Years
Vehicles	5-20 Years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position. The School District has no interfund activity.

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. The liability for vacation benefits is recorded as long-term liabilities, as the balances for most employees can be carried for up to at least three years.

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 compensated absence liability is reported on the government-wide financial statements.

On the government fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employees who have accumulated leave are paid.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

Fund Balance

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

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. The amount assigned in the General Fund represents fiscal year 2021 appropriations, which exceed estimated receipts.

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.

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.

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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

Budgetary Process

All funds, except custodial 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 sets 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 fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION/FUND BALANCE

Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented Statement No. 84, *Fiduciary Activities*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and those funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	Governmental Funds		Total
	General	Non Major	
Fund Balances, June 30, 2019	\$7,399,491	\$555,597	\$7,955,088
Adjustments:			
GASB Statement 84	0	53,261	53,261
Restated Fund Balances, June 30, 2019	\$7,399,491	\$608,858	\$8,008,349

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities
Net Position, June 30, 2019	\$2,572,420
Adjustments:	
GASB Statement 84	53,261
Restated Net Position, June 30, 2019	\$2,625,681

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of June 30, 2019:

	Fiduciary Fund Agency Fund
Net Position, June 30, 2019	\$0
Adjustments:	
Assets	(53,261)
Liabilities	53,261
Restated Net Position, June 30, 2019	\$0

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

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

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	\$877,974
Revenue Accruals	(207,126)
Expenditure Accruals	96,802
Encumbrances	<u>(677,513)</u>
Budget Basis	<u><u>\$90,137</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits 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.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 June 30, 2020, \$2,600,343 of the School District's total bank balance of \$9,159,340 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent, but the collateral allocated to the School District in OPCS covered 70 percent of the uninsured balance at June 30, 2020, resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2020, the School District's only investment was in STAR Ohio. STAR Ohio is measured at net asset value per share. The value of the investments in STAR Ohio was \$144,530 and the investment has an average maturity of 41.5 days.

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

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

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 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, 2020, are available to finance fiscal year 2020 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, 2020, 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 yearend. 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, 2020, was \$432,040 in the General Fund and \$53,168 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2019, was \$214,479 in the General Fund and \$27,762 in the Permanent Improvement Fund.

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 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$89,511,710	86.9%	\$116,867,450	89.3%
Public Utility Personal	13,496,650	13.1%	13,985,880	10.7%
Total Assessed Values	\$103,008,360	100.0%	\$130,853,330	100.0%
Tax Rate per \$1,000 of assessed valuation	\$35.50		\$35.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as receivable in the amount of \$77,847 may not be collected within one year. All other receivables are expected to be collected within one year. At June 30, 2020, the intergovernmental receivable in the amount of \$87,130 represents excess costs.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> 6/30/19	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/20
Nondepreciable Capital Assets:				
Land	\$42,289	\$0	\$0	\$42,289
Depreciable Capital Assets:				
Land Improvements	1,283,431	136,605	0	1,420,036
Buildings and Improvements	4,612,220	0	0	4,612,220
Furniture, Fixtures, and Equipment	1,922,404	17,945	(80,065)	1,860,284
Vehicles	644,081	0	0	644,081
Total Depreciable Capital Assets	<u>8,462,136</u>	<u>154,550</u>	<u>(80,065)</u>	<u>8,536,621</u>
Accumulated Depreciation:				
Land Improvements	(975,651)	(36,102)	0	(1,011,753)
Buildings and Improvements	(3,276,973)	(85,067)	0	(3,362,040)
Furniture, Fixtures, and Equipment	(1,504,970)	(42,193)	55,225	(1,491,938)
Vehicles	(301,575)	(43,047)	0	(344,622)
Total Accumulated Depreciation	<u>(6,059,169)</u>	<u>(206,409)</u>	<u>55,225</u>	<u>(6,210,353)</u>
Total Depreciable Capital Assets, Net	<u>2,402,967</u>	<u>(51,859)</u>	<u>(24,840)</u>	<u>2,326,268</u>
Governmental Capital Assets, Net	<u>\$2,445,256</u>	<u>(\$51,859)</u>	<u>(\$24,840)</u>	<u>\$2,368,557</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$62,195
Special	11,218
Vocational	3,946
Support Services:	
Administration	16,888
Fiscal	483
Operation of Maintenance and Plant	36,672
Pupil Transportation	43,472
Food Service Operations	6,490
Extracurricular Activities	25,045
Total Depreciation Expense	<u>\$206,409</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 - RISK MANAGEMENT

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), an 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)	\$39,841,693
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 fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

Workers' Compensation

For fiscal year 2020, 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.

Employee Benefits

The School District contracted with the Stark County Schools' Council of Government Health Benefits Program (COG), to provide employee medical/surgical, dental, and vision benefits. The COG's health benefits program is a shared risk insurance purchasing pool comprised of 152 member school districts, educational service centers, and related agencies. See Note 18 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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 \$835.94 for individual coverage per month, and \$2,030.68 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 \$102.80 for individual coverage per month, and \$253.64 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

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State Statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 SERS' fiduciary net position. That report can be obtained by visiting the SERS website at 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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$140,864 for fiscal year 2020. Of this amount, \$1,345 is reported as 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 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

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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.

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty and after termination of employment.

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 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. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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.

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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 fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$447,934 for fiscal year 2020. Of this amount, \$78,224 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, 2019, 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>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02764080%	0.02623180%	
Current Measurement Date	<u>0.02876060%</u>	<u>0.02524080%</u>	
Change in Proportionate Share	<u>0.00111980%</u>	<u>-0.00099100%</u>	
			<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$1,720,798	\$5,581,851	\$7,302,649
Pension Expense	\$338,026	\$637,296	\$975,322

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At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$43,636	\$45,445	\$89,081
Changes of assumptions	0	655,696	655,696
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	54,471	51,323	105,794
School District contributions subsequent to the measurement date	<u>140,864</u>	<u>447,934</u>	<u>588,798</u>
Total Deferred Outflows of Resources	<u>\$238,971</u>	<u>\$1,200,398</u>	<u>\$1,439,369</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$24,163	\$24,163
Net difference between projected and actual earnings on pension plan investments	22,088	272,811	294,899
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>4,340</u>	<u>293,991</u>	<u>298,331</u>
Total Deferred Inflows of Resources	<u>\$26,428</u>	<u>\$590,965</u>	<u>\$617,393</u>

\$588,798 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 fiscal year ending June 30, 2021. 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:			
2021	\$86,827	\$243,128	\$329,955
2022	(26,206)	(10,245)	(36,451)
2023	(1,469)	(63,138)	(64,607)
2024	<u>12,527</u>	<u>(8,246)</u>	<u>4,281</u>
Total	<u>\$71,679</u>	<u>\$161,499</u>	<u>\$233,178</u>

Actuarial Assumptions - 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.

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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.

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, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,411,452	\$1,720,798	\$1,141,597

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range 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:

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$8,157,254	\$5,581,851	\$3,401,641

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, 2020, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the

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remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the School District's surcharge obligation was \$18,592.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,592 for fiscal year 2020, and is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02785720%	0.02623180%	
Current Measurement Date	<u>0.02933400%</u>	<u>0.02524080%</u>	
Change in Proportionate Share	<u>0.00147680%</u>	<u>-0.00099100%</u>	
Proportionate Share of the:			<u>Total</u>
Net OPEB Liability	\$737,689	\$0	\$737,689
Net OPEB (Asset)	\$0	(\$418,048)	(\$418,048)
OPEB Expense	\$32,935	(\$133,178)	(\$100,243)

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At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$10,829	\$37,899	\$48,728
Changes of assumptions	53,880	8,787	62,667
Net difference between projected and actual earnings on pension plan investments	1,771	0	1,771
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	62,249	15,417	77,666
School District contributions subsequent to the measurement date	<u>18,592</u>	<u>0</u>	<u>18,592</u>
Total Deferred Outflows of Resources	<u>\$147,321</u>	<u>\$62,103</u>	<u>\$209,424</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$162,065	\$21,268	\$183,333
Changes of assumptions	41,338	458,341	499,679
Net difference between projected and actual earnings on OPEB plan investments	0	26,257	26,257
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>2,580</u>	<u>32,865</u>	<u>35,445</u>
Total Deferred Inflows of Resources	<u>\$205,983</u>	<u>\$538,731</u>	<u>\$744,714</u>

\$18,592 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$32,408)	(\$104,980)	(\$137,388)
2022	(9,257)	(104,980)	(114,237)
2023	(8,737)	(94,457)	(103,194)
2024	(8,821)	(90,765)	(99,586)
2025	(11,685)	(81,694)	(93,379)
Thereafter	<u>(6,346)</u>	<u>248</u>	<u>(6,098)</u>
Total	<u>(\$77,254)</u>	<u>(\$476,628)</u>	<u>(\$553,882)</u>

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Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may

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not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State Statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$895,414	\$737,689	\$612,278
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$591,038	\$737,689	\$932,258

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$356,721)	(\$418,048)	(\$469,610)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$474,047)	(\$418,048)	(\$349,463)

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

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

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

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

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Other Insurance Benefits

Life insurance is provided in the amount of \$40,000 for all certified teachers and administrators. \$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 \$0.125 per \$1,000 of coverage. The Board pays 100 percent of the premiums.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into a capitalized lease for the financing of a House Bill 264 Energy Conservation Project and for copying equipment. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.

Equipment acquired by lease has been capitalized in government - wide statements governmental activities in the amount of \$590,074, 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 \$443,130. Principal payments in fiscal year 2020 totaled \$35,992; the termination of the copier leases was netted with the loss on disposal of capital assets in the amount of \$26,323.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$35,471	\$17,019
2022	36,871	15,618
2023	38,327	14,163
2024	39,839	12,650
2025	41,412	11,078
2026-2030	232,908	29,541
2031	25,867	378
Totals	<u>\$450,695</u>	<u>\$100,447</u>

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20	Amounts Due In One Year
Governmental Activities:					
<i>Capital Leases</i>	\$513,010	\$0	\$62,315	\$450,695	\$35,471
<i>Long-Term Intergovernmental Payable</i>	5,000	0	5,000	0	0
<i>Compensated Absences</i>	433,217	104,239	11,670	525,786	70,095
<i>Net Pension Liability</i>					
SERS	1,583,040	137,758	0	1,720,798	\$0
STRS	5,767,784	0	185,933	5,581,851	0
Total Net Pension Liability	7,350,824	137,758	185,933	7,302,649	0
<i>SERS Net OPEB Liability</i>	772,833	0	35,144	737,689	0
Total Governmental Activities	<u>\$9,074,884</u>	<u>\$241,997</u>	<u>\$300,062</u>	<u>\$9,016,819</u>	<u>\$105,566</u>

The School District's overall legal debt margin was \$11,778,304, with an unvoted debt margin of \$130,853, at June 30, 2020.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the General Fund, and the Miscellaneous Federal Grant and the Food Service Special Revenue Funds. For additional information related to the net pension/OPEB liability, see Notes 10 and 11.

Capital leases

Capital leases will be paid from the Debt Service Fund.

Long-Term Intergovernmental Payable

On December 2, 2015, the Shadyside Local 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 purchased 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 agreed to pay the ECOESC, the sum of \$5,000 per year for a period of five years, for a total payment of \$25,000. The liability was paid from the General Fund. As of June 30, 2020, the obligation was paid in full.

Compensated Absences

The School District pays compensated absences from the General Fund.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 15 – COMMITMENTS

Construction Commitment

On May 5, 2020, the School District entered into a contract for the installation of a synthetic turf field at Fleming Field in the amount of \$377,880 to be paid from the General Fund. As of June 30, 2020, no work has been completed on the project. On June 25, 2020, the School District received a donation in the amount of \$112,000 to be used for costs associated with the project.

Encumbrances

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 fiscal yearend, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$677,513
Other Non-major Governmental Funds	85,196
Total	\$762,709

NOTE 16 - TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following:

	Transfer To
Transfers from	Other Non-major Governmental Funds
General Fund	\$49,695
Other Non-major Governmental Funds	52,490
Total	\$102,185

The transfers were used to move receipts from the General Fund to provide additional funding to cover the costs of the Food Service Fund. Transfers were also made to move money from the Permanent Improvement Capital Projects Fund to the Debt Service Fund for capital lease payments on the House Bill 264 Energy Conservation Project.

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 2020, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School District, Mark Lucas, who serves as Treasurer, at 68090 Hammond Road, St. Clairsville, Ohio 43950.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)

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 2020, the total amount paid to the Council from the School District was \$33,374 for technology services and \$16,917 for financial accounting services and educational management information. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization including over 179 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 2020.

NOTE 18 - PUBLIC ENTITY POOLS

Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

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 Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, 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 \$2,535 for policy year 2020 was paid to CompManagement, Inc.

Ohio School Plan (OSP)

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

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

Shared Risk Insurance Purchasing Pool

The Stark County Schools' Council of Government Health Benefits Program (COG)

The Stark County Schools' Council of Governments Health Benefits Program (COG) 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.

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 fiscal yearend or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal yearend and carried forward to be used for the same purposes in future fiscal 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, 2019	\$0
Current Year Set-aside Requirement	205,653
Current Year Offsets	<u>(331,901)</u>
Totals	<u>(\$126,248)</u>
Balance Carried Forward to Fiscal Year 2021	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2020	<u><u>\$0</u></u>

The School District had current fiscal 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 fiscal years.

Shadyside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 20 - CONTINGENCIES

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, 2020.

Litigation

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

NOTE 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020, due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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 Seven Fiscal Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's Proportion of the Net Pension Liability	0.02876060%	0.02764080%	0.02603340%
School District's Proportionate Share of the Net Pension Liability	\$1,720,798	\$1,583,040	\$1,555,440
School District's Covered Payroll	\$986,652	\$906,644	\$855,736
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.41%	174.60%	181.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

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

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02639060%	0.02506990%	0.02365300%	0.02365300%
\$1,931,548	\$1,430,511	\$1,197,064	\$1,406,568
\$819,586	\$754,730	\$687,323	\$715,556
235.67%	189.54%	174.16%	196.57%
62.98%	69.16%	71.70%	65.52%

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 Seven Fiscal Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's Proportion of the Net Pension Liability	0.02524080%	0.02623180%	0.02571265%
School District's Proportionate Share of the Net Pension Liability	\$5,581,851	\$5,767,784	\$6,108,096
School District's Covered Payroll	\$2,941,943	\$2,982,286	\$2,859,507
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.73%	193.40%	213.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

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

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02660126%	0.02702068%	0.02800781%	0.02800781%
\$8,904,242	\$7,467,725	\$6,812,468	\$8,114,968
\$2,810,564	\$2,804,129	\$2,847,538	\$2,897,343
316.81%	266.31%	239.24%	280.08%
66.80%	72.10%	74.70%	69.30%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.02933400%	0.02785720%	0.02623390%	0.02655510%
School District's Proportionate Share of the Net OPEB Liability	\$737,689	\$772,833	\$704,048	\$756,919
School District's Covered Payroll	\$986,652	\$906,644	\$855,736	\$819,586
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.77%	85.24%	82.27%	92.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added for each year.

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

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB (Asset) Liability	0.02524080%	0.02623180%	0.02571265%	0.02660126%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$418,048)	(\$421,519)	\$1,003,213	\$1,422,642
School District's Covered Payroll	\$2,941,943	\$2,982,286	\$2,859,507	\$2,810,564
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.21%	-14.13%	35.08%	50.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added for each year.

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

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$140,864	\$133,198	\$122,397	\$119,803
Contributions in Relation to the Contractually Required Contribution	<u>(140,864)</u>	<u>(133,198)</u>	<u>(122,397)</u>	<u>(119,803)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,006,171	\$986,652	\$906,644	\$855,736
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$18,592	\$22,182	\$18,764	\$13,447
Contributions in Relation to the Contractually Required Contribution	<u>(\$18,592)</u>	<u>(\$22,182)</u>	<u>(\$18,764)</u>	<u>(\$13,447)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.85%</u>	<u>2.25%</u>	<u>2.07%</u>	<u>1.57%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.85%</u>	<u>15.75%</u>	<u>15.57%</u>	<u>15.57%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$114,742	\$99,474	\$95,263	\$99,033	\$95,332	\$90,923
<u>(114,742)</u>	<u>(99,474)</u>	<u>(95,263)</u>	<u>(99,033)</u>	<u>(95,332)</u>	<u>(90,923)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$819,586	\$754,730	\$687,323	\$715,556	\$708,791	\$723,337
<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>
\$12,627	\$18,384	\$12,956	\$13,739	\$14,522	\$19,388
<u>(\$12,627)</u>	<u>(\$18,384)</u>	<u>(\$12,956)</u>	<u>(\$13,739)</u>	<u>(\$14,522)</u>	<u>(\$19,388)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.54%</u>	<u>2.44%</u>	<u>1.88%</u>	<u>1.92%</u>	<u>2.05%</u>	<u>2.68%</u>
<u>15.54%</u>	<u>15.62%</u>	<u>15.74%</u>	<u>15.76%</u>	<u>15.50%</u>	<u>15.25%</u>

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$447,934	\$411,872	\$417,520	\$400,331
Contributions in Relation to the Contractually Required Contribution	(447,934)	(411,872)	(417,520)	(400,331)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,199,529	\$2,941,943	\$2,982,286	\$2,859,507
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$393,479	\$392,578	\$370,180	\$376,655	\$384,534	\$368,370
<u>(393,479)</u>	<u>(392,578)</u>	<u>(370,180)</u>	<u>(376,655)</u>	<u>(384,534)</u>	<u>(368,370)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,810,564	\$2,804,129	\$2,847,538	\$2,897,343	\$2,957,957	\$2,833,614
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$28,475	\$28,973	\$29,580	\$28,336
<u>0</u>	<u>0</u>	<u>(28,475)</u>	<u>(28,973)</u>	<u>(29,580)</u>	<u>(28,336)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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Shadyside Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Shadyside Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Beginning with fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:		
Fiscal year 2020		3.13 percent
Fiscal year 2019		3.62 percent
Fiscal year 2018		3.56 percent
Fiscal year 2017		2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Fiscal year 2020		3.22 percent
Fiscal year 2019		3.70 percent
Fiscal year 2018		3.63 percent
Fiscal year 2017		2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Shadyside Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2020, 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 January 8, 2021, wherein we noted the School District implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

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) as a basis for designing 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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

OHIO AUDITOR OF STATE KEITH FABER



SHADYSIDE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/26/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov