



OHIO AUDITOR OF STATE
KEITH FABER



**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2020**

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ROSS COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

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 Zane Trace Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 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 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 District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of the 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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 10, 2021

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ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The discussion and analysis of the Zane Trace Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of Zane Trace Local School District exceeded its liabilities and deferred inflows at June 30, 2020 by \$259,736. Of this amount, \$10,906,296 represents net investment in capital assets and net position amounts restricted for specific purposes. The remaining deficit of \$10,646,560 represents unrestricted net position.
- In total, net position of governmental activities decreased by \$636,916 which represents a 71.03 percent increase from 2019.
- General revenues accounted for \$12,898,064 or 75.10 percent of and revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$4,276,582 or 24.90 percent of total revenues of \$17,174,646.
- The District had \$17,811,562 in expenses related to governmental activities; only \$4,276,582 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues (primarily taxes and grants and entitlements) of \$12,898,064 was not adequate to provide for the remainder of these programs.
- The District recognizes two major governmental funds: the General and Capital Projects Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$15,422,194 in revenues and \$15,647,290 in expenditures in fiscal year 2020.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the Zane Trace 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.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The Statement of Activities presents information showing how the District's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services, except for the fiduciary fund activities, are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 19. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Capital Projects Funds.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund

The District maintains only one proprietary fund, which is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting. The internal service fund is included with governmental activities on the government-wide financial statements.

Fiduciary Funds

The District's fiduciary funds include agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole, showing assets, deferred outflows, liabilities, deferred inflows and the difference between them (net position). Table 1 provides a summary of the District's net position for 2020 compared to fiscal year 2019:

Table 1

Net Position at Year End

	Governmental Activities		
	2020	Restated 2019	Change
<u>Assets:</u>			
Current and Other Assets	\$ 11,672,279	\$ 13,168,219	\$ (1,495,940)
Capital Assets, Net	12,586,673	11,724,199	862,474
Net OPEB Asset	847,746	816,211	31,535
<i>Total Assets</i>	<u>25,106,698</u>	<u>25,708,629</u>	<u>(601,931)</u>
<u>Deferred Outflows of Resources:</u>			
Deferred Charge on Refunding	0	389	(389)
Pension	3,021,944	4,066,823	(1,044,879)
OPEB	394,980	298,343	96,637
<i>Total Deferred Outflows of Resources</i>	<u>3,416,924</u>	<u>4,365,555</u>	<u>(948,631)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	1,833,094	1,956,764	(123,670)
<i>Long-Term Liabilities:</i>			
Due Within One Year	330,728	649,604	(318,876)
Due in More than One Year:			
Net Pension Liability	14,545,146	14,217,995	327,151
Net OPEB Liability	1,373,754	1,476,125	(102,371)
Other Amounts	3,845,434	3,923,691	(78,257)
<i>Total Liabilities</i>	<u>21,928,156</u>	<u>22,224,179</u>	<u>(296,023)</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	4,287,488	4,659,647	(372,159)
Pension	643,628	905,922	(262,294)
OPEB	1,404,614	1,387,784	16,830
<i>Total Deferred Inflows of Resources</i>	<u>6,335,730</u>	<u>6,953,353</u>	<u>(617,623)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	9,382,398	9,388,399	(6,001)
Restricted	1,523,898	1,238,861	285,037
Unrestricted	(10,646,560)	(9,730,608)	(915,952)
<i>Total Net Position</i>	<u>\$259,736</u>	<u>\$896,652</u>	<u>(\$636,916)</u>

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The net pension liability (NPL) and net other postemployment benefits liability (OPEB) are the largest liabilities reported by the District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statements No. 68 and No.75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension 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 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.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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(Unaudited)

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.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Current and other assets decreased \$1,495,940 from fiscal year 2019 due primarily to a decrease in cash and cash equivalents and income taxes receivable. Capital assets increased by \$862,477 or 7.36 percent.

Current (other) liabilities decreased by \$123,670 or 6.32 percent due mostly to a decrease in accounts payable.

Long-term liabilities decreased by \$172,353 or 0.78 percent as the result of a decrease in long-term bonds payable and net OPEB liability, offset by an increase in net pension liability.

The District's largest portion of net position is net investment in capital assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The balance of \$1,523,898 in restricted net position is subject to external restrictions on how they may be used.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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(Unaudited)

Table 2 shows the changes in net position for fiscal year 2020 and provides a comparison to fiscal year 2019.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
<u>Revenues:</u>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$1,782,612	\$1,619,481	\$163,131
Operating Grants and Contributions	2,493,970	2,117,821	376,149
<i>General Revenues:</i>			
Property Taxes	5,760,101	4,695,910	1,064,191
Income Taxes	1,626,117	1,723,403	(97,286)
Unrestricted Grants and Entitlements	5,278,851	5,762,178	(483,327)
Investment Earnings	43,536	24,086	19,450
Miscellaneous	189,459	187,746	1,713
<i>Total Revenues</i>	17,174,646	16,130,625	1,044,021

(Continued)

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2020	2019	Change
<i>Expenses:</i>			
<i>Instruction:</i>			
Regular	\$8,911,019	\$7,329,917	\$1,581,102
Special	1,928,107	1,246,121	681,986
Vocational	0	6,316	(6,316)
Student Intervention Services	23,158	2,567	20,591
Other	146,329	94,615	51,714
<i>Support Services:</i>			
Pupils	1,238,893	1,051,152	187,741
Instructional Staff	305,036	244,476	60,560
Board of Education	204,933	152,251	52,682
Administration	1,087,984	773,364	314,620
Fiscal	495,583	442,099	53,484
Operation and Maintenance of Plant	1,176,552	1,076,607	99,945
Pupil Transportation	914,078	721,401	192,677
Central	214,096	155,099	58,997
<i>Operation of Non-Instructional Services:</i>			
Food Services	545,712	486,556	59,156
Extracurricular Activities	503,438	375,281	128,157
Issuance Costs	0	60,775	(60,775)
Interest and Fiscal Charges	116,644	224,880	(108,236)
<i>Total Expenses</i>	<u>17,811,562</u>	<u>14,443,477</u>	<u>3,368,085</u>
<i>Change in Net Position</i>	<u>(636,916)</u>	<u>1,687,148</u>	<u>(2,324,064)</u>
Net Position at Beginning of Year, Restated	<u>896,652</u>	<u>(790,496)</u>	<u>1,687,148</u>
Net Position at End of Year	<u><u>\$259,736</u></u>	<u><u>\$896,652</u></u>	<u><u>(\$636,916)</u></u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Pupils, Operation and Maintenance of Plant, and Administration. These programs account for 80.54 percent of the total governmental activities. Regular Instruction, which accounts for 50.03 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 10.82 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupils, which represents 6.95 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Operation and Maintenance of Plant, which represents 6.61 percent of the total, represent costs associated with operating and maintaining the District's facilities. Administration, which represents 6.11 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The change in revenues consists of an increase of \$539,280 or 14.43 percent in program revenue from last year and an increase of \$504,741 or 4.07 percent in general revenues. The increase in program revenues is due to an increase of \$376,149 or 17.76 percent in operating grants and contributions. The increase in general revenues is due to an increase of \$1,064,191 or 22.66 percent in property taxes.

The total expenses for governmental activities increased \$3,368,085 or 23.32 percent and is primarily attributable to increases in Regular Instruction, Special Instruction, Operation and Maintenance of Plant, and Administrative. The large increase in expenses is the result of the retirement systems calculations for net pension and net OPEB liabilities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes, operating grants and contributions and grants and entitlements not restricted for specific programs. Property taxes, income taxes, operating grants and contributions and grants and entitlements not restricted for specific programs account for 88.26 percent of total revenues.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes makes up 33.54 percent and intergovernmental revenue makes up 45.26 percent of the total revenue for the governmental activities in fiscal year 2020.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2020, the District received \$5,978,426 through the State's foundation program, which represents 34.81 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 61.81 percent of governmental activities program expenses. Support services expenses make up 31.65 percent of governmental activities expenses. The Statement of Activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2020 compared with fiscal year 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 3

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
<i>Program Expenses:</i>				
Instruction	\$11,008,613	\$8,368,432	\$8,679,536	\$6,287,491
Support Services	5,637,155	4,750,148	4,616,449	3,920,386
Operation of Non-Instructional Services	545,712	90,900	486,556	11,141
Extracurricular Activities	503,438	208,856	375,281	201,502
Issuance Costs	0	0	60,775	60,775
Interest and Fiscal Charges	<u>116,644</u>	<u>116,644</u>	<u>224,880</u>	<u>224,880</u>
Total Expenses	<u><u>\$17,811,562</u></u>	<u><u>\$13,534,980</u></u>	<u><u>\$14,443,477</u></u>	<u><u>\$10,706,175</u></u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$17,439,085 and expenditures of \$18,502,929.

Total governmental fund balance decreased by \$1,063,844. The decrease in fund balance for the year was most significant in the Capital Projects Fund, which increased by \$1,142,190 due to expenditures from a lease-purchase agreement.

Budget Highlights - General Fund

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

During the course of fiscal year 2020, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

For the General Fund, the final budget basis revenue was \$14,928,422 representing a \$317,892 increase from the original budget estimates of \$14,610,530. The final budget reflected a 2.18 percent increase from the original budgeted amount. Most of this difference was due to receiving more property tax revenue than was originally estimated. For the General Fund, the final budget basis expenditures were \$15,455,081 representing an increase of \$1,934,206 from the original budget expenditures of \$13,520,875. The final budget reflected a 14.31 percent decrease from the original budgeted amount. Most of this difference was due to the increase in regular instruction.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$24.1 million invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, textbooks, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$11.5 million. Table 4 shows fiscal year 2020 balances compared to fiscal year 2019.

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2020	2019
<i>Nondepreciable Capital Assets:</i>		
Land	\$140,210	\$140,210
Construction in Progress	0	761,461
<i>Depreciable Capital Assets:</i>		
Land Improvements	418,118	418,118
Buildings and Improvements	19,504,991	17,601,340
Furniture, Fixtures and Equipment	2,674,292	2,542,885
Vehicles	1,317,267	1,317,267
<i>Total Capital Assets</i>	24,054,878	22,781,281
 <i>Less Accumulated Depreciation:</i>		
Land Improvements	338,917	320,871
Buildings and Improvements	8,245,035	7,896,026
Furniture, Fixtures and Equipment	2,003,794	2,011,537
Vehicles	880,459	828,648
<i>Total Accumulated Depreciation</i>	11,468,205	11,057,082
Capital Assets, Net	\$12,586,673	\$11,724,199

More detailed information pertaining to the District's capital asset activity can be found in Note 10 of the notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Debt Administration

At June 30, 2020, the District had \$3,204,275 in general obligation debt, lease-purchase agreement obligations and capital leases outstanding with \$292,782 due within one year. Table 5 summarizes amounts outstanding for fiscal year 2020 compared to fiscal year 2019.

Table 5

Outstanding Debt, Governmental Activities at Year End

Purpose	2020	2019
Capital Appreciation Bonds	\$0	\$159,999
Lease-Purchase Agreement	3,035,000	3,288,000
Capital Leases	169,275	27,115
Total	\$3,204,275	\$3,475,114

More detailed information pertaining to the District's long-term debt activity can be found in Note 15 of the notes to the basic financial statements.

Current Issues

The Zane Trace Local School District constantly works on becoming financially stable. While the District carries a reasonable cash balance, our projections show that the expenditures will exceed our revenue in each fiscal year reflected on the Five Year Forecast. The passage of the new school district income tax levy effective January 1, 2016 and renewed in 2020 has improved the districts' financial condition outlook for the next five years. Each and every financial decision is considered by the effect it will have related to maintaining the District's continued financial stability.

As with every School District in the State of Ohio, State funding is an unpredictable issue. The State continues to provide the majority of the revenue received within our District. Current revenue projections do not seem to reflect increases that compare to the continuing operational increases the District faces. The State continues to issue educational mandates and requirements without any funding to cover those added expenses, along with reducing federal funding.

With careful planning and monitoring of our finances, the Zane Trace Board of Education is committed to providing a quality education for our students and a secure financial future for the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Tambrea L. Irwin, Treasurer at Zane Trace Local School District, 946 State Route 180, Chillicothe, OH 45601 or email Tirwin@ztlisd.org.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,513,314
Cash and Cash Equivalents with Fiscal Agents	543,193
Property Taxes Receivable	5,246,492
Income Taxes Receivable	581,218
Intergovernmental Receivable	222,257
Inventory Held for Resale	8,646
Prepaid Items	35,918
<u>Restricted Assets:</u>	
Equity Pooled in Cash and Cash Equivalents	521,241
Nondepreciable Capital Assets	140,210
Depreciable Capital Assets, Net	12,446,463
Net OPEB Asset	847,746
<i>Total Assets</i>	25,106,698
<u>Deferred Outflows of Resources:</u>	
Pension	3,021,944
OPEB	394,980
<i>Total Deferred Outflows of Resources</i>	3,416,924
<u>Liabilities:</u>	
Accounts Payable	20,005
Accrued Wages and Benefits	1,247,212
Intergovernmental Payable	215,400
Accrued Interest Payable	13,577
Claims Payable	336,900
Long-Term Liabilities:	
Due within One Year	330,728
Due in More Than One Year:	
Net Pension Liability	14,545,146
Net OPEB Liability	1,373,754
Other Amounts Due in More Than One Year	3,845,434
<i>Total Liabilities</i>	21,928,156
<u>Deferred Inflows of Resources:</u>	
Property Taxes	4,287,488
Pension	643,628
OPEB	1,404,614
<i>Total Deferred Inflows of Resources</i>	6,335,730
<u>Net Position:</u>	
Net Investment in Capital Assets	9,382,398
Restricted for:	
Set-Asides	521,241
Capital Outlay	904
Debt Service	3,032
Other Purposes	998,721
Unrestricted	(10,646,560)
<i>Total Net Position</i>	\$259,736

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$8,911,019	\$1,314,832	\$318,333	(\$7,277,854)
Special	1,928,107	0	988,021	(940,086)
Vocational	0	0	18,995	18,995
Student Intervention Services	23,158	0	0	(23,158)
Other	146,329	0	0	(146,329)
<i>Support Services:</i>				
Pupils	1,238,893	0	311,214	(927,679)
Instructional Staff	305,036	0	0	(305,036)
Board of Education	204,933	0	0	(204,933)
Administration	1,087,984	12,607	6,313	(1,069,064)
Fiscal	495,583	0	0	(495,583)
Operation and Maintenance of Plant	1,176,552	0	0	(1,176,552)
Pupil Transportation	914,078	0	547,359	(366,719)
Central	214,096	2,168	7,346	(204,582)
<i>Operation of Non-Instructional Services:</i>				
Food Service	545,712	169,257	285,555	(90,900)
Extracurricular Activities	503,438	283,748	10,834	(208,856)
<i>Debt Service:</i>				
Interest and Fiscal Charges	116,644	0	0	(116,644)
<i>Total Governmental Activities</i>	<u>\$17,811,562</u>	<u>\$1,782,612</u>	<u>\$2,493,970</u>	<u>(13,534,980)</u>
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				5,666,796
Debt Service				65,772
Capital Outlay				27,533
Income Taxes				1,626,117
Grants and Entitlements not Restricted to Specific Programs				5,278,851
Investment Earnings				43,536
Miscellaneous				189,459
<i>Total General Revenues</i>				12,898,064
Change in Net Position				(636,916)
<i>Net Position at Beginning of Year, As Restated (See Note 3)</i>				896,652
<i>Net Position at End of Year</i>				<u>\$259,736</u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

For the Fiscal Year Ended June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,427,398	\$904	\$890,826	\$4,319,128
Property Taxes Receivable	5,246,492	0	0	5,246,492
Income Taxes Receivable	581,218	0	0	581,218
Intergovernmental Receivable	21,556	0	200,701	222,257
Prepaid Items	27,605	0	8,313	35,918
Inventory Held for Resale	0	0	8,646	8,646
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	521,241	0	0	521,241
Total Assets	\$9,825,510	\$904	\$1,108,486	\$10,934,900
<u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$19,875	0	\$130	\$20,005
Accrued Wages and Benefits	1,219,641	0	27,571	1,247,212
Intergovernmental Payable	210,257	0	5,143	215,400
Total Liabilities	1,449,773	0	32,844	1,482,617
<u>Deferred Inflows of Resources:</u>				
Property Taxes	4,365,769	0	0	4,365,769
Income Taxes	143,922	0	0	143,922
Unavailable Revenue	0	0	31,969	31,969
Total Deferred Inflows of Resources	4,509,691	0	31,969	4,541,660
<u>Fund Balances:</u>				
Nonspendable	27,605	0	8,313	35,918
Restricted	521,241	904	1,035,360	1,557,505
Assigned	257,554	0	0	257,554
Unassigned	3,059,646	0	0	3,059,646
Total Fund Balances	3,866,046	904	1,043,673	4,910,623
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$9,825,510	\$904	\$1,108,486	\$10,934,900

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 For the Fiscal Year Ended June 30, 2020*

Total Governmental Funds Balances \$4,910,623

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,586,673

Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows in the funds. These receivables consist of:

Property taxes	78,281
Income taxes	143,922
Intergovernmental revenues	31,969

Total 254,172

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued interest on bonds	(13,577)
Lease-Purchase Agreement	(3,035,000)
Capital leases	(169,275)
Compensated absences	(971,887)

Total liabilities not reported in funds (4,189,739)

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

Deferred Outflows - Pension	3,021,944
Deferred Outflows - OPEB	394,980
Deferred Inflows - Pension	(643,628)
Deferred Inflows - OPEB	(1,404,614)
Net OPEB Asset	847,746
Net Pension Liability	(14,545,146)
Net OPEB Liability	(1,373,754)

Total (13,702,472)

An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 400,479

Net Position of Governmental Activities \$259,736

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,670,052	\$0	\$98,004	\$5,768,056
Income Taxes	1,658,807	0	0	1,658,807
Intergovernmental	6,525,505	0	1,251,043	7,776,548
Interest	43,517	0	19	43,536
Tuition and Fees	1,296,764	0	0	1,296,764
Gifts and Donations	28,697	0	11,984	40,681
Extracurricular Activities	40,793	0	275,798	316,591
Charges for Services	0	0	169,257	169,257
Miscellaneous	158,059	0	31,400	189,459
<i>Total Revenues</i>	<u>15,422,194</u>	<u>0</u>	<u>1,837,505</u>	<u>17,259,699</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	8,144,054	0	295,661	8,439,715
Special	1,621,520	0	214,469	1,835,989
Other	146,329	0	0	146,329
<i>Support Services:</i>				
Pupils	1,149,600	0	7,852	1,157,452
Instructional Staff	260,160	0	0	260,160
Board of Education	204,933	0	0	204,933
Administration	1,033,997	0	0	1,033,997
Fiscal	475,165	0	2,582	477,747
Operation and Maintenance of Plant	1,025,324	1,142,190	24,937	2,192,451
Pupil Transportation	784,546	0	6,559	791,105
Central	198,354	0	6,252	204,606
Operation of Non-Instructional Services	0	0	500,502	500,502
Extracurricular Activities	203,479	0	299,635	503,114
<i>Debt Service:</i>				
Principal Retirement	290,227	0	355,000	645,227
Interest and Fiscal Charges	109,602	0	0	109,602
<i>Total Expenditures</i>	<u>15,647,290</u>	<u>1,142,190</u>	<u>1,713,449</u>	<u>18,502,929</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>(225,096)</u>	<u>(1,142,190)</u>	<u>124,056</u>	<u>(1,243,230)</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	179,386	0	0	179,386
<i>Total Other Financing Sources (Uses)</i>	<u>179,386</u>	<u>0</u>	<u>0</u>	<u>179,386</u>
<i>Net Change in Fund Balances</i>	(45,710)	(1,142,190)	124,056	(1,063,844)
<i>Fund Balances at Beginning of Year, As Restated (See Note 3)</i>	<u>3,911,756</u>	<u>1,143,094</u>	<u>919,617</u>	<u>5,974,467</u>
<i>Fund Balances at End of Year</i>	<u><u>\$3,866,046</u></u>	<u><u>\$904</u></u>	<u><u>\$1,043,673</u></u>	<u><u>\$4,910,623</u></u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and 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 (\$1,063,844)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		291,781
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	(7,955)	
Income taxes	(32,690)	
Intergovernmental	(44,408)	
Total revenues not reported in the funds		(85,053)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		645,227
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		2,259
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of premium on bonds	4,169	
Accretion on bonds	(13,081)	
Amortization of Deferred Charges on bonds	(389)	
Compensated absences	(59,796)	
Total expenditures not reported in the funds		(69,097)
Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position are not reported as revenues in the Statement of Activities:		
Inception of Capital Lease		(179,386)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.		1,161,171
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		(2,057,194)
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.		146,527
<i>Change in Net Position of Governmental Activities</i>		<i>(\$1,207,609)</i>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,958,231	\$5,182,942	\$5,182,942	\$0
Income Taxes	1,500,000	1,750,594	1,750,594	0
Intergovernmental	6,973,546	6,541,383	6,541,383	0
Interest	22,500	44,271	44,271	0
Tuition and Fees	1,081,253	1,251,456	1,251,456	0
Miscellaneous	75,000	157,776	157,776	0
<i>Total Revenues</i>	14,610,530	14,928,422	14,928,422	0
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	7,697,864	8,002,782	8,010,699	(7,917)
Special	1,582,891	1,645,590	1,647,218	(1,628)
Other	140,615	146,184	146,329	(145)
<i>Support Services:</i>				
Pupils	1,089,831	1,133,000	1,134,121	(1,121)
Instructional Staff	248,106	257,934	258,189	(255)
Board of Education	234,506	243,795	244,036	(241)
Administration	841,892	875,240	876,106	(866)
Fiscal	476,315	495,182	495,672	(490)
Operation and Maintenance of Plant	1,065,906	1,108,128	1,109,224	(1,096)
Pupil Transportation	773,770	804,419	805,215	(796)
Central	192,570	200,198	200,396	(198)
Extracurricular Activities	177,841	184,885	185,068	(183)
<i>Debt Service:</i>				
Principal	243,120	253,000	253,000	0
Interest	100,654	104,744	104,744	0
<i>Total Expenditures</i>	14,865,881	15,455,081	15,470,017	(14,936)
<i>Excess of Revenues Over Expenditures</i>	(255,351)	(526,659)	(541,595)	(14,936)
<i>Fund Balance at Beginning of Year</i>	4,039,126	4,039,126	4,039,126	0
Prior Year Encumbrances Appropriated	189,634	189,634	189,634	0
<i>Fund Balance at End of Year</i>	\$3,973,409	\$3,702,101	\$3,687,165	(\$14,936)

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Fund Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$194,186
Cash and Cash Equivalents with Fiscal Agents	<u>543,193</u>
<i>Total Current Assets</i>	<u>737,379</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>336,900</u>
<i>Total Current Liabilities</i>	<u>336,900</u>
<u>Net Position:</u>	
Unrestricted	<u>400,479</u>
<i>Total Net Position</i>	<u><u>\$400,479</u></u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$3,137,942
<i>Total Operating Revenues</i>	3,137,942
<u>Operating Expenses:</u>	
Purchased Services	156,266
Claims	2,835,149
<i>Total Operating Expenses</i>	2,991,415
<i>Operating Income</i>	146,527
<i>Net Position at Beginning of Year</i>	253,952
<i>Net Position at End of Year</i>	\$400,479

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Cash Flow

Proprietary Fund

For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities Internal Service</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$3,137,942
Cash Payments for Goods and Services	(156,266)
Cash Payments for Claims	<u>(2,748,849)</u>
<i>Net Cash from Operating Activities</i>	232,827
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>504,552</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$737,379</u></u>
 <u>Reconciliation of Operating Income to Net Cash from Operating Activities:</u>	
<i>Operating Income</i>	\$146,527
 <u>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</u>	
<i>Increase(Decrease) in Liabilities:</i>	
Claims Payable	<u>86,300</u>
Total Adjustments	<u>86,300</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$232,827</u></u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Custodial
<u>Additions</u>	\$0
<u>Deductions:</u>	
Custodial Payments to Other Organizations	661
Change in Net Position	(661)
<i>Net Position at Beginning of Year</i>	<i>\$661</i>
<i>Net Position at End of Year</i>	<i>\$0</i>

See accompanying notes to the basic financial statements.

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ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Description of the District

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

The District was established in 1965 through the consolidation of existing land areas and school districts. The District serves an area of approximately 104 square miles. It is located in Ross County, and includes all of the Village of Kingston and portions of Green North, Green South, Springfield, and Colerain Townships. It is staffed by 55 non-certificated employees, 88 certificated full time teaching personnel and 4 administrative employees who provide services to 1,288 students and other community members. The District currently operates one instructional building.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District participates in seven organizations, six of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META), the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, Coalition of Rural and Appalachian Schools, South Central Ohio Insurance Consortium, Pilasco-Ross Special Education Regional Resource Center, the School Comp Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 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 District, with certain limited exceptions. 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 District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District 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, liabilities and deferred inflows is reported as fund balance. The following is the District's major governmental fund:

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Projects Fund - The Capital Projects Fund is used to account for all transactions for building improvements.

The other governmental funds of the District account for grants and other resources, food service and capital projects whose use is restricted to a particular purpose.

Proprietary Fund

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and prescription drug benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Custodial funds are used to account for assets held by the District for individuals, private organizations or other governments without any trust agreement. The District's only fiduciary fund is a custodial fund which accounts for Ohio High School Athletic Association tournament activity.

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in 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 and deferred inflows 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the internal service fund and fiduciary funds are prepared using 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 inflows/outflows, 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. “Measurable” means the amount of the transaction can be determined and “available” means that the resources are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year-end: property taxes available for advance and grants.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding, for pension and OPEB reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to the liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the 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 fiscal year 2020 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 District unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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, except for (1) principal and interest on long term debt and capital lease obligations which is recorded when due and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employer resignations and terminations. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 \$43,517 which includes \$14,412 assigned from other 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 District are presented on the financial statements as cash equivalents.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

G. 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 year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the District for capital improvements. See Note 21 for additional information regarding set-asides.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The 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 reported capital assets except land are depreciated. 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 Improvements	20 years
Buildings and Improvements	30 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	4 - 8 years

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

K. Pensions

For purposes of measuring the net pension/OPEB liability, 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.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term liabilities 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 special termination of benefits 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 in the current year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefits payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position invested 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 their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for music and athletic programs and federal and state grants restricted to expenditures for specified purposes.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

N. Fund Balance Reserves

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted or committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Interfund Transactions

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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the statement of activities. The District had no such transactions for fiscal year 2020.

Q. 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.

R. Budgetary Process

All funds, other than the custodial fund, 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. Any revisions that alter the total of any object appropriation must be approved by the Board of Education.

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

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

NOTE 3 - NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 - NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT - (Continued)

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District has early implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

With the implementation of GASB Statement No. 84 the District has determined that its Student Activities Fund should be reclassified from a Fiduciary Fund to a Special Revenue Fund. This reclassification resulted in the following changes to the beginning balance of net position/fund balances:

Additionally, the School District discovered an error in previously reported depreciation. Correction of this error resulted in the following restatement of beginning net position:

	Governmental Activities	All Other Governmental Funds	Custodial Funds
Net Position/Fund Balance at June 30, 2019	\$1,592,909	\$887,498	\$32,780
Fund Reclassification	32,119	32,119	(32,119)
Restatement:			
Correction of Depreciation	(728,376)	0	0
Adjusted Net Position/Fund Balance at June 30, 2019	\$896,652	\$919,617	\$661

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis).
4. Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$45,710)
<i>Adjustments:</i>	
Revenue Accruals	(378,691)
Expenditure Accruals	263,397
Encumbrances	(209,817)
Other Financing Sources	(179,386)
<i>Prospective Difference:</i>	
Activity of Funds Reclassified For GAAP Reporting Purposes	<u>8,612</u>
Budget Basis	<u><u>(\$541,595)</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions or other units or agencies of this state or its political subdivision;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed two hundred seventy days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and
9. Time certificates of deposit or savings or deposits accounts, including, but not limited to, passbook accounts.

Investments in stripped principal or interest obligation, 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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2020, the District's internal service fund had a balance of \$543,193 with fiscal agents, South Central Ohio Insurance Consortium (SCOIC), a jointly governed organization (see Note 19). The balance held by SCOIC in pooled accounts which are representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for SCOIC as a whole may be obtained from the fiscal agent, Bloom-Carroll Local School District, 5240 Plum Road, Carroll, Ohio 43112.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2020, all of the District's bank balance of \$5,390,737 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the District's name.

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

Eligible securities pledged to the 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 % 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% of the deposits being secured or a rate set by the Treasurer of State.

The District's only financial institution is enrolled in the OPCS.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utility) located in the 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 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 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 in 2020 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 District receives property taxes from Ross County. The Ross County Auditor periodically advances to the District their 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 represents delinquent taxes outstanding and real property, and public utility taxes which became 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 available as an advance at June 30, 2020 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as an advance at June 30, 2020 were \$880,723 for the General Fund.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	<u>2019 Second Half Collections</u>		<u>2020 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$203,473,910	86.32%	\$216,240,200	85.94%
Public Utility Personal	<u>32,237,810</u>	<u>13.68%</u>	<u>35,371,540</u>	<u>14.06%</u>
Total Assessed Value	<u>\$235,711,720</u>	<u>100.00%</u>	<u>\$251,611,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.70		\$30.70	

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 7 - SCHOOL INCOME TAXES

The District currently benefits from a 0.75% income tax, which is assessed on earned income only for all residents of the District. The District apportions all the proceeds to the General Fund. During fiscal year 2020, the District generated \$1,658,807 from the school income tax.

NOTE 8 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Enterprise Zone Program with the taxing districts of the District. The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Within the taxing districts of the District, Ross County has entered into such an agreement. Under this agreement the District's property taxes were reduced by approximately \$97,435. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2020 consisted of taxes and intergovernmental grants and entitlements. 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. A summary of the principal items of intergovernmental receivables follow:

<u>Fund</u>	<u>Amount</u>
General	\$21,556
<i>Other Governmental Funds:</i>	
Title VI-B	110,583
Title I	80,973
Title VI-R	4,962
Miscellaneous Federal Grants	4,183
<i>Total Other Governmental Funds</i>	<u>200,701</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$222,257</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2020 follows:

<u>Asset Category</u>	<u>Restated Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2020</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$140,210	\$0	\$0	\$140,210
Construction in Progress	761,461	1,142,190	(1,903,651)	0
Total Nondepreciable Capital Assets	<u>901,671</u>	<u>1,142,190</u>	<u>(1,903,651)</u>	<u>140,210</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	418,118	0	0	418,118
Buildings and Improvements	17,601,340	1,903,651	0	19,504,991
Furniture, Fixtures and Equipment	2,542,885	264,671	(133,264)	2,674,292
Vehicles	1,317,267	0	0	1,317,267
Total Depreciable Capital Assets	<u>21,879,610</u>	<u>2,168,322</u>	<u>(133,264)</u>	<u>23,914,668</u>
Total Capital Assets	<u>22,781,281</u>	<u>3,310,512</u>	<u>(2,036,915)</u>	<u>24,054,878</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(320,871)	(18,046)	0	(338,917)
Buildings and Improvements	(7,896,026)	(349,009)	0	(8,245,035)
Furniture, Fixtures and Equipment	(2,011,537)	(125,521)	133,264	(2,003,794)
Vehicles	(828,648)	(51,811)	0	(880,459)
Total Accumulated Depreciation	<u>(11,057,082)</u>	<u>(544,387)</u>	<u>133,264</u>	<u>(11,468,205)</u>
Depreciable Capital Assets, Net	<u>10,822,528</u>	<u>1,623,935</u>	<u>0</u>	<u>12,446,463</u>
Total Net Capital Assets	<u>\$11,724,199</u>	<u>\$2,766,125</u>	<u>(\$1,903,651)</u>	<u>\$12,586,673</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$212,556
Special	26,166
<i>Support Services:</i>	
Pupils	37,487
Instructional Staff	23,521
Administration	12,279
Fiscal	8,028
Operations and Maintenance	76,022
Pupil Transportation	100,445
Central	9,879
Operation of Non-Instructional Services	31,686
Extracurricular Activities	6,318
Total Depreciation Expense	<u>\$544,387</u>

NOTE 11 - RISK MANAGEMENT

The 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 2020, the District contracted with Wright Specialty for property and fleet insurance and for boiler and machinery coverage. Insurance coverage provided includes the following:

<u>Description</u>	<u>Amount</u>
Building and Contents (\$1,000 deductible)	\$46,146,142
Boiler and Machinery (\$1,000 deductible)	No Limit
Automobile Liability (\$1,000 deductible)	1,000,000
<i>General Liability:</i>	
Per Occurrence	3,000,000
Total per Year	1,000,000

For fiscal year 2020, the District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 20).

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 11 - RISK MANAGEMENT - (Continued)

The types and amounts of coverage provided by the Wright Specialty are as follows:

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$2,000,000
Personal and Advertising Injury – Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products - Completed Operations Limit	3,000,000

Employee Benefits Liability Endorsement:

Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000

Employer's Liability and Stop Gap Endorsement:

Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000

Educational Legal Liability Coverage (\$2,500 deductible):

Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

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

The District participates in the SchoolComp Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, CMI, reviews each participant's claims experience and determines the rating tier for that participant.

The firm Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year the District pays an enrollment fee to the Plan to cover costs of administering the program.

The District provides medical, prescription and dental insurance for its employees. Premiums are paid directly to the South Central Ohio Insurance Consortium (SCOIC), a third party administrator, who services all claims submitted by employees.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 11 - RISK MANAGEMENT - (Continued)

The District was self funded with the South Central Ohio Insurance Consortium effective July 1, 2012.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the District. The District had \$543,193 cash balance with the fiscal agent at June 30, 2020. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2020, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

The claims liability of \$336,900 supported at June 30, 2020 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2019	\$409,900	\$2,518,003	\$2,677,303	\$250,600
2020	250,600	2,835,149	2,748,849	336,900

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and 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 net pension/OPEB liability (asset) represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/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 this estimate annually.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the 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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/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 long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a statewide, 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 before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

An individual whose benefit effective date is before April 1, 2019, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2019, 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. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The District's contractually required contribution to SERS was \$280,416 for fiscal year 2020. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. Investment allocation decisions are determined by the member. 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 50 or later.

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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, 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. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$852,468 for fiscal year 2020. Of this amount, \$141,080 is reported as an intergovernmental payable.

Net Pension Liability, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05391610%	0.05118498%	
Prior Measurement Date	<u>0.05324600%</u>	<u>0.05079417%</u>	
Change in Proportionate Share	<u>0.00067010%</u>	<u>0.00039081%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,225,895	\$11,319,251	\$14,545,146
Pension Expense	\$586,410	\$1,656,210	\$2,242,620

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the 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	\$81,802	\$92,160	\$173,962
Changes of Assumptions	0	1,329,665	1,329,665
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	66,920	318,513	385,433
District Contributions Subsequent to the Measurement Date	<u>280,416</u>	<u>852,468</u>	<u>1,132,884</u>
Total Deferred Outflows of Resources	<u>\$429,138</u>	<u>\$2,592,806</u>	<u>\$3,021,944</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$0	\$49,000	\$49,000
Net Difference between projected and actual investment earnings	<u>41,407</u>	<u>553,221</u>	<u>594,628</u>
Total Deferred Inflows of Resources	<u>\$41,407</u>	<u>\$602,221</u>	<u>\$643,628</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,132,884 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	\$150,630	\$823,132	\$973,762
2022	(64,042)	247,818	183,776
2023	(2,755)	(18,697)	-21,452
2024	23,482	85,864	109,346
	<u>\$107,315</u>	<u>\$1,138,117</u>	<u>\$1,245,432</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 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. Future benefits for all current plan members were projected through 2035.

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:

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 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 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 rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings 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 investments was applied to all periods of projected benefits to determine the total pension liability.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the 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 District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District'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.

District's Proportionate Share of the Net Pension Liability	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	\$4,520,632	\$3,225,895	\$2,140,096

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
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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.

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for 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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>100.00 %</u>	

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

**Ten 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 value added by management.

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 employer and member contributions will be made at statutory contribution rates of 14 percent each. 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 investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, 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 assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability	\$16,541,824	\$11,319,251	\$6,898,075

NOTE 13 - DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions 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 2.0 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 District's surcharge obligation was \$28,287, which 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, 2021. 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, 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.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/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 District's proportion of the net OPEB liability (asset) was based on the 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:

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05462700%	0.05118498%	
Prior Measurement Date	<u>0.05320770%</u>	<u>0.05079417%</u>	
Change in Proportionate Share	<u>0.00141930%</u>	<u>0.00039081%</u>	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$1,373,754	(\$847,746)	\$526,008
OPEB Expense (Gain)	\$62,334	(\$248,760)	(\$186,426)

At June 30, 2020, the 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	\$20,165	\$76,854	\$97,019
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,299	0	3,299
Changes in Assumptions	100,337	17,819	118,156
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	95,012	53,207	148,219
Contributions Subsequent to the Measurement Date	<u>28,287</u>	<u>0</u>	<u>28,287</u>
Total Deferred Outflows of Resources	<u>\$247,100</u>	<u>\$147,880</u>	<u>\$394,980</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$301,804	\$43,130	\$344,934
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	53,243	53,243
Changes in Assumptions	<u>76,981</u>	<u>929,456</u>	<u>1,006,437</u>
Total Deferred Inflows of Resources	<u>\$378,785</u>	<u>\$1,025,829</u>	<u>\$1,404,614</u>

\$28,287 reported as deferred outflows of resources related to OPEB resulting from 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:

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$55,970)	(\$191,581)	(\$247,551)
2022	(21,506)	(178,624)	(200,130)
2023	(20,537)	(176,718)	(197,255)
2024	(20,695)	(163,609)	(184,304)
2025	(26,779)	(167,417)	(194,196)
Thereafter	(14,485)	0	(14,485)
	<u>(\$159,972)</u>	<u>(\$877,949)</u>	<u>(\$1,037,921)</u>

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
Salary Increases, including inflation	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	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 (expected return, net of investment expense and inflation) 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 not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>100.00 %</u>	

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 plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no 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, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the 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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$1,667,477	\$1,373,754	\$1,140,210

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$1,100,655	\$1,373,754	\$1,736,090

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:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for 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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>100.00 %</u>	

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

**Ten 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 value added by management.

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 assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate 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 liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>Decrease</u>	Current <u>Discount</u>	<u>Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$723,382	\$847,746	\$952,307

	<u>Decrease</u>	Current <u>Trend Rate</u>	<u>Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$961,305	\$847,746	\$708,664

NOTE 14 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon the length of service. Unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 60 days for all employees. Teachers earn additional \$50 for each accumulated sick day in excess of 180 days as additional severance pay.

B. Special Retirement Benefit

The Board of Education approved a special retirement benefit program. All individuals who give written notice of their intent to retire on or before March 1 of the year they intend to retire shall receive an additional \$1,500 classified staff and \$1,750 certified staff in their final paycheck.

C. Life Insurance

The District provides life insurance to most employees through Dearborne National.

D. Deferred Compensation

The District employees may participate in the Ohio Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2020 for its governmental activities were as follows:

	Interest Rate	Principal Outstanding at July 1, 2019	Additions	Deductions	Principal Outstanding at June 30, 2020	Amount Due In One Year
<i>Governmental Activities:</i>						
<u>2009 Refunding Bonds</u>						
Capital Appreciation Bonds	4.50%	\$159,999	\$0	\$159,999	\$0	\$0
Accretion on Capital Appreciation Bon	4.50%	181,920	13,081	195,001	0	0
Premiums on Bonds		4,169	0	4,169	0	0
Total General Obligation Debt		346,088	13,081	359,169	0	0
<i>Net Pension Liability:</i>						
STRS		11,168,498	150,753	0	11,319,251	0
SERS		3,049,497	176,398	0	3,225,895	0
Total Net Pension Liability		14,217,995	327,151	0	14,545,146	0
<i>Net OPEB Liability:</i>						
SERS		1,476,125	0	102,371	1,373,754	0
Total Net Pension Liability		1,476,125	0	102,371	1,373,754	0
Capital Lease Payable		27,115	179,386	37,226	169,275	31,782
Lease-Purchase Agreement		3,288,000	0	253,000	3,035,000	261,000
Compensated Absences		912,092	327,676	267,881	971,887	37,946
Total Governmental Activities Long-Term Obligations		<u>\$20,267,415</u>	<u>\$847,294</u>	<u>\$1,019,647</u>	<u>\$20,095,062</u>	<u>\$330,728</u>

Refunding General Obligation Bonds - During fiscal year 2009, the District issued \$2,994,999 of general obligation bonds for the advance refunding of \$2,995,000 of the 1997 series bonds. The \$87,543 premium on the issuance of the refunding bonds is added against this debt and is being amortized over the life of this debt, which has the same remaining life of the refunded debt of 11 years with a final maturity of December 1, 2020. The refunding was undertaken to reduce total future debt service payments over 11 years by \$349,880 and to obtain an economic gain of \$294,607. The refunding bonds are retired through the Bond Retirement Fund using tax revenues.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to state maturity. The capital appreciation bonds will mature in fiscal year 2020. The maturity amount of the bonds is \$355,000. For fiscal year 2020, \$13,081 was accreted on the capital appreciation bonds.

The District pays obligations related to employee compensation from the fund benefitting from their service. Capital leases are paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service, Title VI-B, Chapter I, and Safe and Drug Free School Nonmajor Special Revenue Funds.

The District's overall legal debt margin was \$19,450,058 with an unvoted debt margin of \$251,612 at June 30, 2020.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 16 – OTHER LONG-TERM OBLIGATIONS

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2020</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Lease-Purchase Agreement	2019	4.09%	3,288,000	0	253,000	3,035,000	261,000
Total Governmental Activities Other Long-Term Obligations:			<u>\$3,288,000</u>	<u>\$0</u>	<u>\$253,000</u>	<u>\$3,035,000</u>	<u>\$261,000</u>

Changes in the other long-term obligations of the District during the 2020 fiscal year were as follows:

In May 2019, Zane Trace Local School District entered into a lease-purchase financing agreement with WesBanco Bank, Inc. The two party agreement entered into a contract to lease the property to the District, including existing and new improvements made to the property. To facilitate the building improvements to the property called for within the agreement, the District received \$3,540,000 from WesBanco Bank, Inc. to provide the financing for the installation of a complete new heating/cooling system for the entire campus. Upon final payment of all scheduled lease payments, ownership reverts back to the District.

Principal and interest components of the schedules lease purchase agreement payments outstanding at June 30, 2020 are shown below.

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$261,000	\$95,299
2022	270,000	87,104
2023	279,000	78,626
2024	288,000	69,865
2025	190,000	60,822
2026-2030	1,041,000	210,851
2031-2033	706,000	44,807
Totals	<u>\$3,035,000</u>	<u>\$647,374</u>

NOTE 17 - CAPITAL LEASE - LESSEE DISCLOSURE

The District has reported \$179,386 as capital assets in the Statement of Net Position for leased equipment.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2020:

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 17 - CAPITAL LEASE - LESSEE DISCLOSURE - (Continued)

Fiscal Year Ending June 30,	Capital Lease Payments
2021	\$42,625
2022	42,625
2023	42,625
2024	42,625
2025	28,415
Minimum Lease Payments	198,915
Less: amount representing interest	29,640
Present value of minimum lease payments	\$169,275

NOTE 18 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

As of June 30, 2020, fund balances are composed of the following:

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>				
Prepays	\$27,605	\$0	\$8,313	\$35,918
<i>Restricted:</i>				
Set-Asides	521,241		0	521,241
<i>Special Revenues:</i>				
Athletics	0	0	89,529	89,529
Food Service	0	0	60,312	60,312
Student Activities	0	0	37,479	37,479
Classroom Maintenance	0	0	335,193	335,193
Local Grants	0	0	3,930	3,930
State Grants	0	0	304,929	304,929
Federal Grants	0	0	187,379	187,379
Debt Service	0	0	16,609	16,609
Capital Projects	0	904	0	904
<i>Total Restricted</i>	0	904	1,035,360	1,557,505

Continued

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 18 – FUND BALANCES - (Continued)

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Assigned:</i>				
<i>Encumbrance:</i>				
Instruction	30,223	0	0	30,223
Support Services	177,594	0	0	177,594
Extracurricular Activities	2,000	0	0	2,000
Uniform School Supplies	8,827	0	0	8,827
Rotary	6,767	0	0	6,767
Public School Support	32,143	0	0	32,143
<i>Total Assigned</i>	<u>257,554</u>	<u>0</u>	<u>0</u>	<u>257,554</u>
<i>Unassigned (Deficit)</i>	<u>3,059,646</u>	<u>0</u>	<u>0</u>	<u>3,059,646</u>
Total Fund Balance	<u>\$3,866,046</u>	<u>\$904</u>	<u>\$1,043,673</u>	<u>\$4,910,623</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association (META)

The District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META \$92,068 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion, Ohio 43302.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

B. Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, which possesses its own budgeting and taxing authority. The Center provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Stahl, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

C. Great Seal Education Network of Tomorrow

The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

D. South Central Ohio Insurance Consortium (SCOIC)

The SCOIC is a regional council of governments organized under Ohio Revised Code Section 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its members consisting of 16 entities within Fairfield, Fayette, Franklin, Hocking, Perry and Ross Counties. The governing board consists of the superintendent or other designees appointed by each of the members of the SCOIC. The participating members pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. The District does not have an ongoing interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for their employees. The District joined the SCOIC on January 1, 2002. To obtain financial information, write to the Bloom Carroll Local School District, Travis Bigam, who serves as Treasurer, at 5240 Plumb Road NW, Carroll, Ohio 43112.

E. Pilasco-Ross Special Education Regional Resource Center

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45622.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

F. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within the county. The Council provides various services 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.

NOTE 20 - INSURANCE PURCHASING POOLS

A. SchoolComp Worker's Compensation Group Rating Plan

The District participates in a workers' compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Inc. (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program for 2020. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

B. Ohio School Plan

For Members with Ohio Plan policies renewing after November 1, 2005.

Risk Pool Membership

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 20 - INSURANCE PURCHASING POOLS - (Continued)

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2019 and 2018 (the latest information available):

	<u>2019</u>	<u>2018</u>
Assets	\$12,967,922	\$12,764,109
Liabilities	<u>(4,843,762)</u>	<u>(4,451,197)</u>
Members Equity	<u>\$8,124,160</u>	<u>\$8,312,912</u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

NOTE 21 - STATUTORY SET-ASIDES

The 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in the future years.

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2020:

	<u>Capital Improvements</u>
Set Aside Balance June 30, 2019	\$391,537
Current Year Set Aside Requirement	241,688
Current Year Offsets	(39,100)
Current Year Qualifying Disbursements	<u>(72,884)</u>
Set Aside Reserve Balance as of June 30, 2020	<u>\$521,241</u>
Set Aside Reserve Balance Carried Forward to FY21	<u>\$521,241</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 22 – ENCUMBRANCE COMMITMENTS

At June 30, 2020, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$209,817
<i>Nonmajor Funds:</i>	
Food Service	3,929
Student Activities	830
Athletics	17,605
OneNet	2,700
Miscellaneous Federal Grants	293
Total Nonmajor Funds	<u>25,357</u>
Total Encumbrances	<u><u>\$235,174</u></u>

NOTE 23 - OHIO DEPARTMENT OF EDUCATION FOUNDATION FUNDING

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

NOTE 24 - CONTINGENCIES

A. Grants

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 24 – CONTINGENCIES - (Continued)

B. Litigation

The District is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of liability, if any, is not measurable.

NOTE 25 – RELATED PARTY TRANSACTIONS

A School District Board member is the owner of Chillicothe Fire and Security which the District obtained maintenance services and purchased fire safety equipment. The District paid \$706 to Chillicothe Fire and Security during the fiscal year.

NOTE 26 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

ZANE TRACE LOCAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of Net Pension Liability
Last Seven Measurement Periods (1)

	2019	2018	2017	2016
<u>School Employees Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.05391610%	0.05324600%	0.05022490%	0.04957934%
District's Proportionate Share of the Net Pension Liability	\$3,225,895	\$3,049,497	\$3,000,827	\$3,618,398
District's Covered Payroll	\$1,926,514	\$1,808,571	\$1,661,657	\$1,727,829
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	167.45%	168.61%	180.59%	209.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%
<u>State Teachers Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.05118498%	0.05079417%	0.04995078%	0.04904243%
District's Proportionate Share of the Net Pension Liability	\$11,319,251	\$11,168,498	\$11,865,915	\$16,415,980
District's Covered Payroll	\$6,147,543	\$6,133,086	\$5,519,943	\$5,009,200
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	184.13%	182.10%	214.96%	327.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2015	2014	2013
0.05129650%	0.0538100%	0.0538100%
\$2,927,028	\$2,701,582	\$3,174,397
\$2,111,578	\$1,897,576	\$1,385,393
138.62%	142.37%	229.13%
69.16%	71.70%	65.52%
0.04877580%	0.04971763%	0.04971763%
\$13,480,204	\$12,093,048	\$14,405,160
\$5,280,307	\$5,662,277	\$5,654,500
255.29%	213.57%	254.76%
72.09%	74.71%	69.30%

ZANE TRACE LOCAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of Net OPEB Liability/Asset
Last Four Fiscal Years (1)

	2020	2019	2018	2017
<u>School Employees Retirement System of Ohio</u>				
District's Proportion of the Net OPEB Liability	0.05462700%	0.05320770%	0.05050760%	0.04957934%
District's Proportionate Share of the Net OPEB Liability	\$1,373,754	\$1,476,125	\$1,355,491	\$1,413,195
District's Covered-Employee Payroll	\$2,002,971	\$1,926,514	\$1,808,571	\$1,661,657
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	68.59%	76.62%	74.95%	85.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<u>State Teachers Retirement System of Ohio</u>				
District's Proportion of the Net OPEB Liability	0.05118498%	0.05079417%	0.04995078%	0.04904234%
District's Proportionate Share of the Net OPEB Asset	\$847,746	\$816,211	\$0	\$0
District's Proportionate Share of the Net OPEB Liability	\$0	\$0	\$1,948,895	\$2,622,802
District's Covered-Employee Payroll	\$6,089,057	\$6,147,543	\$6,133,086	\$5,519,943
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of it's Covered-Employee Payroll	(13.92%)	(13.28%)	31.78%	47.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.74%	176.00%	47.10%	37.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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ZANE TRACE LOCAL SCHOOL DISTRICT
Schedule of the District's Contributions
School Employees Retirement Systems of Ohio
Last Eight Fiscal Years (1)

	2020	2019	2018
<u>Pension</u>			
Contractually Required Contributions	\$280,416	\$260,079	\$244,157
Contributions in Relation to the Contractually Required Contributions	<u>(280,416)</u>	<u>(260,079)</u>	<u>(244,157)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,002,971	\$1,926,514	\$1,808,571
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.50%	13.50%
<u>OPEB</u>			
Contractually Required Contributions (2)	\$0	\$9,633	\$9,043
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>(9,633)</u>	<u>(9,043)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,002,971	\$1,926,514	\$1,808,571
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.50%	0.50%

(1) Information prior to 2013 is not available.

(2) Excludes surcharge amount.

Amounts presented as of the 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>	<u>2013</u>
\$232,632	\$241,896	\$278,306	\$263,004	\$191,738
<u>(232,632)</u>	<u>(241,896)</u>	<u>(278,306)</u>	<u>(263,004)</u>	<u>(191,738)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,661,657	\$1,727,829	\$2,111,578	\$1,897,576	\$1,385,393
14.00%	14.00%	13.18%	13.86%	13.84%
\$0	\$0	\$17,315	\$2,657	\$2,217
<u>0</u>	<u>0</u>	<u>(17,315)</u>	<u>(2,657)</u>	<u>(2,217)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,661,657	\$1,727,829	\$2,111,578	\$1,897,576	\$1,385,393
0.00%	0.00%	0.82%	0.14%	0.16%

ZANE TRACE LOCAL SCHOOL DISTRICT
Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Eight Fiscal Years (1)

	2020	2019	2018
<u>Pension</u>			
Contractually Required Contributions	\$852,468	\$860,656	\$858,632
Contributions in Relation to the Contractually Required Contributions	<u>(852,468)</u>	<u>(860,656)</u>	<u>(858,632)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,089,057	\$6,147,543	\$6,133,086
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%
<u>OPEB</u>			
Contractually Required Contributions	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,089,057	\$6,147,543	\$6,133,086
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the 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>	<u>2013</u>
\$772,792	\$701,288	\$739,243	\$736,096	\$735,085
<u>(772,792)</u>	<u>(701,288)</u>	<u>(739,243)</u>	<u>(736,096)</u>	<u>(735,085)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,519,943	\$5,009,200	\$5,280,307	\$5,662,277	\$5,654,500
14.00%	14.00%	14.00%	13.00%	13.00%
\$0	\$0	\$0	\$56,662	\$56,545
<u>0</u>	<u>0</u>	<u>0</u>	<u>(56,662)</u>	<u>(56,545)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,519,943	\$5,009,200	\$5,280,307	\$5,662,277	\$5,654,500
0.00%	0.00%	0.00%	1.00%	1.00%

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ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 1 - 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 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to 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 was updated to 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 was updated to 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.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

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

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

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 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

**Zane Trace Local School District
Ross County**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
<i>U.S. Department of Agriculture (Passed through Ohio Department of Education)</i>				
Child Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	10.555	3L60	\$30,390	\$30,390
<i>Cash Assistance:</i>				
National School Lunch Program	10.555	3L60	129,357	129,357
COVID-19 School Lunch	10.555	3L60	<u>51,246</u>	<u>51,246</u>
Total National School Lunch Program			<u>210,993</u>	<u>210,993</u>
School Breakfast Program	10.553	3L70	34,029	34,029
COVID - 19 School Breakfast	10.553	3L70	<u>28,467</u>	<u>28,467</u>
Total School Breakfast Program			<u>62,496</u>	<u>62,496</u>
Total Child Nutrition Cluster			<u>273,489</u>	<u>273,489</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title 1 Grants to Local Educational Agencies - 2019	84.010	3M00	71,797	77,696
Title 1 Grants to Local Educational Agencies - 2020	84.010	3M00	<u>158,049</u>	<u>152,250</u>
Total Title I Grants to Local Education			<u>229,846</u>	<u>229,946</u>
Special Education Cluster:				
Special Education - Grants to States - VIB 2019	84.027	3M20	22,670	30,510
Special Education - Grants to States - VIB 2020	84.027	3M20	<u>187,196</u>	<u>182,213</u>
Total Special Education Cluster			<u>209,866</u>	<u>212,723</u>
Improving Teacher Quality State Grants - 2019	84.367	3Y60	439	2,120
Improving Teacher Quality State Grants - 2020	84.367	3Y60	<u>40,568</u>	<u>38,400</u>
Total Improving Teacher Quality			<u>41,007</u>	<u>40,520</u>
Student Support - Title IVA 2019	84.424	3H10	1,795	1,948
Student Support - Title IVA 2020	84.424	3H10	<u>23,289</u>	<u>21,226</u>
Total Student Support			<u>25,084</u>	<u>23,174</u>
Total U.S. Department of Education			<u>505,803</u>	<u>506,363</u>
Total Federal Award			<u>\$779,292</u>	<u>\$779,852</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Zane Trace Local School District (the District's) under programs of the federal government for the year ended **June 30, 2020**. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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SouthwestRegion@ohioauditor.gov

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

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

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 Zane Trace Local School District, Ross County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2021, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) 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 District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the 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*.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 10, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Zane Trace Local School District
Ross County
946 State Route 180
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Zane Trace Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Zane Trace Local School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, the Zane Trace Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 10, 2021

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	10.553/10.555 Child Nutrition Cluster 84.010 Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2020-001
(Continued)**

Due to deficiencies in the District's financial statement monitoring and review process, the District made the following errors:

- Prior year accumulated depreciation of a capital asset was not recorded resulting in restatement to beginning net position in the amount of (\$728,376)
- Current year depreciation of capital asset was not reported in the amount of \$51,719.
- The District did not capitalize building project costs in the amount of \$475,913
- The District did not record the acquisition of a new copier in the amount of \$179,386

The District has posted these adjustments to the financial statements and accounting records where appropriate.

The District also made errors in financial reporting in amounts ranging from \$424 to \$104,058. The District has not adjusted the financial statements and accounting records for these errors.

Failure to accurately post and report transactions could result in material errors in the District's financial statements and reduces the District's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the District.

The District should accurately record financial transactions.

Officials' Response:

The District plans to meet and work with Uhrig and Associates, GAAP CPA, to find where the error oriented and make the correction immediately so that the error is corrected prior to the reporting for Fiscal Year 2021.

FINDING NUMBER 2020-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

**FINDING NUMBER 2020-002
(Continued)**

The original certificate and amendments establish the amounts available for expenditures for the District and the receipts ledger provides the process by which the District controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. Total original appropriations approved by Board of \$7,043,540.79 were not posted to the accounting system. Of the \$14,865,897 General fund appropriations, only \$12,979,647.57 was posted to the system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. The General Fund original appropriations approved by the Board of \$14,865,897 and the amount reported in the Budgetary Statement of \$13,520,875 had a difference of \$1,345,022.

To effectively control the budgetary cycle and to maintain accountability over expenditures, the District should post to the ledgers, on a timely basis, appropriations approved by the Board. The District should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

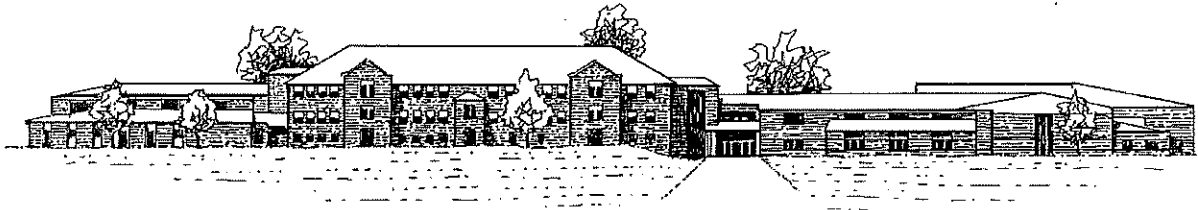
Officials' Response:

The District plans to review input process and have back up staff member assist in time management to keep information current.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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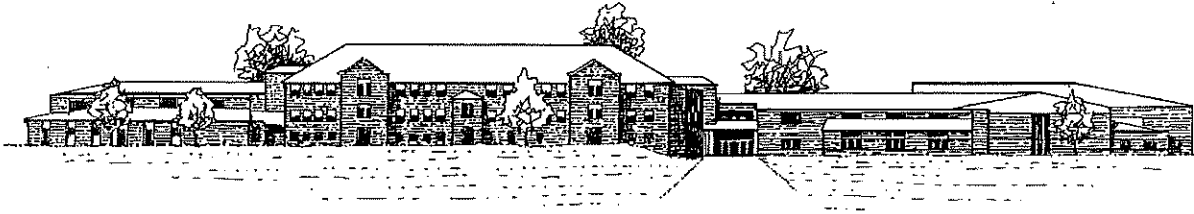
ZANE TRACE LOCAL SCHOOL DISTRICT

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Posting Issue – Misstatements in financial reporting	Not corrected	Reissued as 2020-001

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ZANE TRACE LOCAL SCHOOL DISTRICT

946 State Route 180 • Chillicothe, Ohio 45601 • 740-775-1355

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2020

Finding Number:	2020-001
Planned Corrective Action:	Meet and work with Uhrig and Associates, GAAP CPA, to find where the error oriented and make the correction immediately so that the error is corrected prior to the reporting for FY21.
Anticipated Completion Date:	06/30/2021
Responsible Contact Person:	Tambrea Irwin, Treasurer
Finding Number:	2020-002
Planned Corrective Action:	Plan to review input process and have back up staff member assist in time management to keep information current
Anticipated Completion Date:	06/30/2021
Responsible Contact Person:	Tambrea Irwin, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



ZANE TRACE LOCAL SCHOOL DISTRICT

ROSS 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 4/8/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov