

CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Millhuff-Stang, CPA, Inc.
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Education
Chillicothe City School District
425 Yoctangee Pkwy
Chillicothe, OH 45601

We have reviewed the *Independent Auditor's Report* of the Chillicothe City School District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2024 through June 30, 2025. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Chillicothe City School District is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

June 04, 2026

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Chillicothe City School District
Ross County
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Independent Auditor's Report

Members of the Board
Chillicothe City School District
425 Yoctangee Parkway
Chillicothe, Ohio 45601

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during 2025, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and restated beginning net position as a result. Our opinion was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of net pension and OPEB liabilities (assets), and the schedules of School District contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

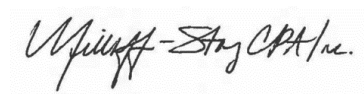
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

March 26, 2026

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Chillicothe City School District's (School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$7,810,415.
- The School District's net position of governmental activities decreased \$6,883,895. Net position of business-type activities decreased \$8,767.
- General revenues accounted for \$32,540,655 or 79 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,886,984 or 21 percent of total revenues of \$41,427,639.
- The School District had \$48,183,963 in expenses related to governmental activities; only \$8,886,984 of these expenses were offset by program specific charges for services and sales and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$32,413,084 and beginning net position balances were adequate to provide for these programs.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Chillicothe City School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund and Debt Service Fund are the major funds.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and change in net position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the statement of net position and the statement of activities, the School District has two kinds of activity, governmental and business-type.

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.
- **Business-Type Activities.** These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's Cavalier Athletic Center Fund is reported as a business-type activity.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The Chillicothe City School District's major funds are the General Fund and the Debt Service Fund.

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

Proprietary Funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds. The School District acts in trustee capacity as an agent for another governmental unit. These activities are reported in a custodial fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2025 compared to 2024.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and Other Assets	\$36,017,434	\$40,425,719	(\$27,232)	(\$25,409)	\$35,990,202	\$40,400,310
Capital Assets, Net	65,262,445	68,355,544	45,648	50,919	65,308,093	68,406,463
Total Assets	101,279,879	108,781,263	18,416	25,510	101,298,295	108,806,773
Deferred Outflows of Resources	8,545,662	8,832,129	33,028	53,036	8,578,690	8,885,165
Liabilities:						
Current and Other Liabilities	5,770,475	5,649,624	4,720	18,104	5,775,195	5,667,728
Long-Term Liabilities	70,558,106	78,261,643	97,959	110,923	70,656,065	78,372,566
Total Liabilities	76,328,581	83,911,267	102,679	129,027	76,431,260	84,040,294
Deferred Inflows of Resources	25,604,438	19,388,057	30,872	22,859	25,635,310	19,410,916
Net Position:						
Net Investment in Capital Assets	28,052,751	30,608,193	45,648	50,919	28,098,399	30,659,112
Restricted	8,577,129	7,429,470	0	0	8,577,129	7,429,470
Unrestricted (Deficit)	(28,737,358)	(23,723,595)	(127,755)	(124,259)	(28,865,113)	(23,847,854)
Total Net Position	\$7,892,522	\$14,314,068	(\$82,107)	(\$73,340)	\$7,810,415	\$14,240,728

The decrease of \$4,410,108 in current and other assets is primarily due to decreases cash and cash equivalents, cash and cash equivalents with fiscal agents, and intergovernmental receivables. The decrease of \$3,098,370 in capital assets, net, is due to current year depreciation and amortization expense exceeding current year additions. Deferred outflows of resources decreased \$306,475 due to actuarially determined changes related to the School District's proportionate share of the state-wide net pension and OPEB liabilities (assets).

Current and other liabilities decreased \$107,467 due to increases in intergovernmental payables and claims payable. The decrease of \$7,716,501 in long-term liabilities is due mainly to a decrease in debt balances as a result of current principal payments and a refunding of existing bonds, in addition to decreases in pension and OPEB liabilities. Deferred inflows of resources increased by \$6,224,394 due to actuarially determined changes related to the School District's proportionate share of the state-wide net pension and OPEB liabilities (assets) and property taxes.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2025 and June 30, 2024.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

Table 2
Net Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for Services and Sales	\$829,272	\$989,129	\$0	\$0	\$829,272	\$989,129
Operating Grants, Contributions, and Interest	8,025,328	13,242,130	0	0	8,025,328	13,242,130
Capital Grants, Contributions, and Interest	32,384	547,551	0	0	32,384	547,551
Total Program Revenues	8,886,984	14,778,810	0	0	8,886,984	14,778,810
General Revenues						
Property Taxes and Payments in Lieu	14,546,991	16,832,724	0	0	14,546,991	16,832,724
Unrestricted Grants and Entitlements	16,728,218	17,103,113	0	0	16,728,218	17,103,113
Gain on Sale of Assets	0	9,977	0	0	0	9,977
Investment Earnings	759,608	918,614	23	4	759,631	918,618
Miscellaneous	375,809	239,609	127,548	127,770	503,357	367,379
Gain on Termination of Lease	0	96,029	0	0	0	96,029
Gifts and Donations not Restricted	2,458	8,720	0	0	2,458	8,720
Total General Revenues	32,413,084	35,208,786	127,571	127,774	32,540,655	35,336,560
Total Revenues	41,300,068	49,987,596	127,571	127,774	41,427,639	50,115,370
Program Expenses						
Instruction						
Regular	18,876,465	17,878,722	0	0	18,876,465	17,878,722
Special	8,053,423	8,445,011	0	0	8,053,423	8,445,011
Vocational	90,631	91,552	0	0	90,631	91,552
Other	544,458	359,010	0	0	544,458	359,010
Support Services						
Pupils	2,893,683	2,873,208	0	0	2,893,683	2,873,208
Instructional Staff	677,511	590,100	0	0	677,511	590,100
Board of Education	115,346	109,557	0	0	115,346	109,557
Administration	3,624,700	3,381,660	0	0	3,624,700	3,381,660
Fiscal and Business	943,325	1,058,832	0	0	943,325	1,058,832
Operation and Maintenance of Plant	4,447,349	4,179,093	0	0	4,447,349	4,179,093
Pupil Transportation	2,155,571	1,871,786	0	0	2,155,571	1,871,786
Central	677,135	535,819	0	0	677,135	535,819
Operation of Non-Instructional Serv.	2,632,802	2,742,823	0	0	2,632,802	2,742,823
Extracurricular Activities	982,477	1,070,052	0	0	982,477	1,070,052
Interest on Long-Term Debt	1,202,414	1,620,409	0	0	1,202,414	1,620,409
Issuance Costs	266,673	0	0	0	266,673	0
Cavalier Athletic Center	0	0	136,338	129,749	136,338	129,749
Total Expenses	48,183,963	46,807,634	136,338	129,749	48,320,301	46,937,383
Change in Net Position	(6,883,895)	3,179,962	(8,767)	(1,975)	(6,892,662)	3,177,987

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

Table 2
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Net Position at Beginning of Year, As Previously Reported	\$14,314,068	\$11,134,106	(\$73,340)	(\$71,365)	\$14,240,728	\$11,062,741
Adjustment for Implementation of GASB 101	462,349	0	0	0	462,349	0
Net Position Beginning of Year, As Adjusted	14,776,417	11,134,106	(73,340)	(71,365)	14,703,077	11,062,741
Net Position at End of Year	\$7,892,522	\$14,314,068	(\$82,107)	(\$73,340)	\$7,810,415	\$14,240,728

Governmental Activities

Operating grants and contributions decreased significantly due to a reduction in ESSER funding from the prior fiscal year. Capital grants, contributions, and interest decreased due to a donation made to the School District during the prior fiscal year for turf and other athletics-related purposes. Property taxes decreased due a significant decrease in amounts available to advance. Unrestricted grants and entitlements decreased due to a decrease in State foundation funding.

Overall expenditures increased as a result of increases in purchased services and personnel costs from the prior year.

Property taxes comprised 35 percent of revenue for governmental activities of the School District for fiscal year 2025. Grants and entitlements not restricted comprised 41 percent of revenue for governmental activities during 2025. Operating grants, contributions, and interest comprised 19 percent of revenue for governmental activities during 2025.

As indicated by governmental program expenses, instruction is emphasized. Total instruction comprised 57 percent of governmental program expenses with support services comprising 32 percent of governmental expenses.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2025 as compared to 2024. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2025		2024	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$27,564,977	\$22,161,414	\$26,774,295	\$17,509,521
Support Services	15,534,620	14,421,209	14,600,055	12,130,697
Operation of Non-Instructional Services	2,632,802	529,723	2,742,823	498,364
Extracurricular Activities	982,477	715,546	1,070,052	269,833
Interest	1,202,414	1,202,414	1,620,409	1,620,409
Issuance Costs	266,673	266,673	0	0
Total Expenses	\$48,183,963	\$39,296,979	\$46,807,634	\$32,028,824

Business-Type Activities

Business-type activity is comprised of an athletic complex that the School District operates. Miscellaneous revenues remained consistent from the prior fiscal year. Expenses increased due to an increase in salaries and purchased services, which was partially offset by a decrease in fringe benefits.

THE SCHOOL DISTRICT'S FUNDS

All of the School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$68,105,299 and expenditures and other financing uses of \$75,059,491. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased in the amount of \$5,976,376 due to expenditures in excess of revenues. Property taxes decreased as a result of a decrease in amounts available for advance. The General Fund also experienced a large increase in expenditures as much of the personnel costs previously covered by ESSER funding was reallocated.

The fund balance of the Debt Service Fund decreased in the amount of \$130,106, as property taxes decreased as noted above.

General Fund Budgeting Highlights

The School District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis. During 2025, there were revisions to the General Fund budget. Original budgeted amounts for intergovernmental revenues decreased due primarily to a decrease in expected foundation funding. Original budget appropriations increased primarily to an increase in regular and special instruction, pupils, instructional staff costs, and operation and maintenance of plant, which were partially offset by decreases in capital outlay and pupil transportation costs. The School District's actual revenues and other financing sources were relatively consistent with final budgeted amounts. Actual expenditures and other financing uses were also consistent with final budgeted amounts. The School District's ending unobligated fund balance was \$4,072,341.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4 shows the fiscal year 2025 balances compared to 2024.

Table 4
Capital Assets
(Net of Accumulated Depreciation and Amortization)

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Land and Improvements	\$2,033,695	\$1,614,883	\$0	\$0
Construction in Progress	27,816	0	0	0
Buildings and Improvements	61,355,499	64,233,546	0	0
Furniture and Equipment	1,183,226	1,569,125	45,648	50,919
Vehicles	624,092	849,050	0	0
Intangible Right to Use Leased Asset	38,117	88,940	0	0
Totals	\$65,262,445	\$68,355,544	\$45,648	\$50,919

The net decrease in governmental activities capital assets from the prior year resulted from current year depreciation and amortization in excess of additions. The net decrease in business-type activities capital assets is due to current year depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (note 8).

Debt

At June 30, 2025, the School District had \$35,467,838 in bonds and tax anticipation notes outstanding with \$2,180,000 due within one year. Table 5 summarizes the bonds and notes outstanding:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2025	2024
2007 Capital Appreciation Bonds	\$0	\$1,749,533
2016 School Facilities Bond	8,986,860	19,764,714
2016 Refunding Bonds	0	17,323,674
2016 PI Tax Anticipation Notes	291,981	568,963
2024 Refunding Bonds	26,188,997	0
Totals	\$35,467,838	\$39,406,884

The School District's overall legal debt margin was \$16,203,359 and the unvoted debt margin was \$543,094 at June 30, 2025. Detailed information regarding long-term and other debt is included in the notes to the basic financial statements (note 13).

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

Current Financial Related Activities

Chillicothe City School District has faced financial challenges due to a levy falling off in 2018, which resulted in a significant loss of revenue. ESSER funds helped offset this loss beginning in 2020, allowing the School District to maintain staffing levels for students by shifting eligible expenses to the grant. With ESSER now concluded, those funds are no longer supporting the District's budget, but the cash balance accumulated during that period made it possible to retain staff and continue essential services during the current fiscal year.

The School District continues to face challenges with open enrollment; however there was an uptick in enrollment for the current fiscal year. This increase is expected to decline in future years due to state and local trends.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nick Overly, Treasurer, Chillicothe City School District, 425 Yoctangee Parkway, Chillicothe, Ohio 45601.

Chillicothe City School District
Statement of Net Position
As of June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$13,052,933	\$4,582	\$13,057,515
Cash and Cash Equivalents in Segregated Accounts	1,000	0	\$1,000
Cash and Cash Equivalents with Fiscal Agents	1,626,181	0	\$1,626,181
Accrued Interest Receivable	3,987	0	3,987
Internal Balances	31,814	(31,814)	0
Intergovernmental Receivable	974,401	0	974,401
Taxes Receivable	17,979,763	0	17,979,763
Lease Receivable	145,258	0	145,258
Net OPEB Asset	2,202,097	0	2,202,097
Non-Depreciable Capital Assets	634,956	0	634,956
Depreciable Capital Assets, net	64,627,489	45,648	64,673,137
<i>Total Assets</i>	101,279,879	18,416	101,298,295
Deferred Outflows of Resources:			
Pension	7,083,394	7,020	7,090,414
OPEB	1,462,268	26,008	1,488,276
<i>Total Deferred Outflows of Resources</i>	8,545,662	33,028	8,578,690
Liabilities:			
Accounts Payable	144,977	1,102	146,079
Accrued Wages and Benefits	3,980,992	3,566	3,984,558
Intergovernmental Payable	847,843	52	847,895
Accrued Interest Payable	119,277	0	119,277
Claims Payable	677,386	0	677,386
Long-Term Liabilities:			
Due Within One Year	3,257,488	0	3,257,488
Due in More Than One Year	35,264,136	0	35,264,136
Net Pension Liability	30,404,819	81,478	30,486,297
Net OPEB Liability	1,631,663	16,481	1,648,144
<i>Total Liabilities</i>	76,328,581	102,679	76,431,260
Deferred Inflows of Resources:			
Deferred Charge on Refunding	1,741,856	0	1,741,856
Property Taxes not Levied to Finance Current Year Operations	16,358,834	0	16,358,834
Lease	145,258	0	145,258
Pension	3,432,760	5,095	3,437,855
OPEB	3,925,730	25,777	3,951,507
<i>Total Deferred Inflows of Resources</i>	25,604,438	30,872	25,635,310
Net Position:			
Net Investment in Capital Assets	28,052,751	45,648	28,098,399
Restricted for Debt Service	2,531,938	0	2,531,938
Restricted for Capital Outlay	2,876,867	0	2,876,867
Restricted for Other Purposes	1,420,236	0	1,420,236
Restricted for Net OPEB Asset	1,232,397	0	1,232,397
Restricted for Permanent Fund:			
Non-Expendable	450,000	0	450,000
Expendable	65,691	0	65,691
Unrestricted (Deficit)	(28,737,358)	(127,755)	(28,865,113)
<i>Total Net Position</i>	\$7,892,522	(\$82,107)	\$7,810,415

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$18,876,465	\$441,707	\$855,078	\$0	(\$17,579,680)	\$0	(\$17,579,680)
Special	8,053,423	24,542	4,012,363	0	(4,016,518)	0	(4,016,518)
Vocational	90,631	0	69,873	0	(20,758)	0	(20,758)
Other	544,458	0	0	0	(544,458)	0	(544,458)
Support Services:							
Pupils	2,893,683	11,273	688,350	0	(2,194,060)	0	(2,194,060)
Instructional Staff	677,511	307	178,426	0	(498,778)	0	(498,778)
Board of Education	115,346	0	0	0	(115,346)	0	(115,346)
Administration	3,624,700	38	43,454	0	(3,581,208)	0	(3,581,208)
Fiscal	862,302	0	0	0	(862,302)	0	(862,302)
Business	81,023	0	0	0	(81,023)	0	(81,023)
Operation and Maintenance of Plant	4,447,349	14,467	144,712	32,384	(4,255,786)	0	(4,255,786)
Pupil Transportation	2,155,571	0	0	0	(2,155,571)	0	(2,155,571)
Central	677,135	0	0	0	(677,135)	0	(677,135)
Operation of Non-Instructional Services	2,632,802	101,452	2,001,627	0	(529,723)	0	(529,723)
Extracurricular Activities	982,477	235,486	31,445	0	(715,546)	0	(715,546)
Interest	1,202,414	0	0	0	(1,202,414)	0	(1,202,414)
Issuance Costs	266,673	0	0	0	(266,673)	0	(266,673)
<i>Total Governmental Activities</i>	48,183,963	829,272	8,025,328	32,384	(39,296,979)	0	(39,296,979)
Business-Type Activities							
Cavalier Athletic Center	136,338	0	0	0	0	(136,338)	(136,338)
<i>Total</i>	<u>\$48,320,301</u>	<u>\$829,272</u>	<u>\$8,025,328</u>	<u>\$32,384</u>	<u>(39,296,979)</u>	<u>(136,338)</u>	<u>(39,433,317)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					10,960,602	0	10,960,602
Debt Service					2,757,794	0	2,757,794
Capital Projects					828,595	0	828,595
Grants and Entitlements not Restricted for Specific Programs					16,728,218	0	16,728,218
Gifts and Donations not Restricted to Specific Programs					2,458	0	2,458
Investment Earnings					759,608	23	759,631
Miscellaneous					375,809	127,548	503,357
<i>Total General Revenues</i>					<u>32,413,084</u>	<u>127,571</u>	<u>32,540,655</u>
<i>Change in Net Position</i>					(6,883,895)	(8,767)	(6,892,662)
<i>Net Position Beginning of Year, As Previously Reported</i>					14,314,068	(73,340)	14,240,728
<i>Adjustment for Implementation of GASB 101</i>					462,349	0	462,349
<i>Net Position Beginning of Year, As Adjusted</i>					<u>14,776,417</u>	<u>(73,340)</u>	<u>14,703,077</u>
<i>Net Position End of Year</i>					<u>\$7,892,522</u>	<u>(\$82,107)</u>	<u>\$7,810,415</u>

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Balance Sheet
Governmental Funds
As of June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$5,134,655	\$2,321,762	\$5,221,680	\$12,678,097
Cash and Cash Equivalents in Segregated Accounts	0	0	1,000	1,000
Accrued Interest Receivable	3,987	0	0	3,987
Interfund Receivable	1,057,636	0	0	1,057,636
Intergovernmental Receivable	16,660	0	957,741	974,401
Taxes Receivable	13,632,586	3,357,893	989,284	17,979,763
Lease Receivable	145,258	0	0	145,258
Restricted Cash and Cash Equivalents	4,805	0	0	4,805
<i>Total Assets</i>	<u>\$19,995,587</u>	<u>\$5,679,655</u>	<u>\$7,169,705</u>	<u>\$32,844,947</u>
Liabilities:				
Accounts Payable	\$65,920	\$0	\$79,057	\$144,977
Accrued Wages and Benefits	3,780,115	0	200,877	3,980,992
Interfund Payable	0	0	1,025,822	1,025,822
Intergovernmental Payable	738,464	0	109,379	847,843
<i>Total Liabilities</i>	4,584,499	0	1,415,135	5,999,634
Deferred Inflows of Resources:				
Property Taxes Not Levied for Current Year Operations	12,437,068	3,028,440	893,326	16,358,834
Lease	145,258	0	0	145,258
Unavailable Revenue	519,766	150,451	754,742	1,424,959
<i>Total Deferred Inflows of Resources</i>	13,102,092	3,178,891	1,648,068	17,929,051
Fund Balances:				
Nonspendable	4,805	0	450,000	454,805
Restricted	0	2,500,764	4,296,133	6,796,897
Committed	322,773	0	181,376	504,149
Assigned	948,302	0	0	948,302
Unassigned (Deficit)	1,033,116	0	(821,007)	212,109
<i>Total Fund Balances</i>	<u>2,308,996</u>	<u>2,500,764</u>	<u>4,106,502</u>	<u>8,916,262</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$19,995,587</u>	<u>\$5,679,655</u>	<u>\$7,169,705</u>	<u>\$32,844,947</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of June 30, 2025*

Total Governmental Fund Balances	\$8,916,262
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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.	65,262,445
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	711,973	
Intergovernmental	712,986	
Total		1,424,959

The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	7,083,394	
Deferred Outflows-OPEB	1,462,268	
Deferred Inflows-Pension	(3,432,760)	
Deferred Inflows-OPEB	(3,925,730)	
Net Pension Liability	(30,404,819)	
Net OPEB Asset	2,202,097	
Net OPEB Liability	(1,631,663)	
Total		(28,647,213)

Unamortized premiums on refunded bonds represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.	(1,741,856)
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Long-term liabilities, including bonds and related liabilities, notes, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(3,053,786)	
Accrued Interest Payable	(119,277)	
Refunding Bonds	(23,835,000)	
Premium on Refunding Bonds	(2,353,997)	
School Facilities Bonds	(8,575,000)	
Premiums on School Facilities Bonds	(411,860)	
Tax Anticipation Notes	(285,000)	
Premiums on Tax Anticipation Notes	(6,981)	
Total		(38,640,901)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,318,826
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Net Position of Governmental Activities	\$7,892,522
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The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General Fund	Debt Service Fund	(formerly major) ESSER Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	\$10,960,361	\$2,758,955	\$0	\$828,578	\$14,547,894
Intergovernmental	18,866,338	521,809	0	5,474,721	24,862,868
Interest	616,328	0	0	23,504	639,832
Increase (Decrease) in Fair Value of Investments	76,292	0	0	0	76,292
Tuition and Fees	407,339	0	0	0	407,339
Rent	10,015	0	0	0	10,015
Extracurricular Activities	69,420	0	0	214,556	283,976
Gifts and Donations	20,187	0	0	86,099	106,286
Customer Sales and Services	30,003	0	0	101,452	131,455
Lease Revenue	4,452	0	0	0	4,452
Miscellaneous	316,985	0	0	58,824	375,809
<i>Total Revenues</i>	<u>31,377,720</u>	<u>3,280,764</u>	<u>0</u>	<u>6,787,734</u>	<u>41,446,218</u>
Expenditures:					
Current:					
Instruction:					
Regular	15,314,263	0	0	1,054,787	16,369,050
Special	6,220,505	0	0	1,917,415	8,137,920
Vocational	93,650	0	0	0	93,650
Other	544,458	0	0	0	544,458
Support Services:					
Pupils	2,714,829	0	0	274,997	2,989,826
Instructional Staff	484,668	0	0	200,690	685,358
Board of Education	116,296	0	0	0	116,296
Administration	3,668,631	0	0	53,481	3,722,112
Fiscal	815,881	52,721	0	15,495	884,097
Business	3,428	0	0	77,595	81,023
Operation and Maintenance of Plant	4,057,554	0	0	304,184	4,361,738
Pupil Transportation	1,761,268	0	0	0	1,761,268
Central	679,916	0	0	0	679,916
Operation of Non-Instructional Services	21,202	0	0	2,488,537	2,509,739
Extracurricular Activities	610,391	0	0	328,347	938,738
Capital Outlay	63,872	0	0	816,400	880,272
Debt Service:					
Principal	0	2,510,000	0	0	2,510,000
Interest	0	1,146,475	0	0	1,146,475
Issuance Costs	0	266,673	0	0	266,673
<i>Total Expenditures</i>	<u>37,170,812</u>	<u>3,975,869</u>	<u>0</u>	<u>7,531,928</u>	<u>48,678,609</u>
<i>Excess of Revenues Under Expenditures</i>	(5,793,092)	(695,105)	0	(744,194)	(7,232,391)
Other Financing Sources (Uses):					
Transfers In	0	286,800	0	183,284	470,084
Refunding Bonds Issued	0	23,835,000	0	0	23,835,000
Premium on Refunding Bonds Issued	0	2,353,997	0	0	2,353,997
Transfers Out	(183,284)	0	0	(286,800)	(470,084)
Payment to Refunded Bond Escrow Agent	0	(25,910,798)	0	0	(25,910,798)
<i>Total Other Financing Sources (Uses)</i>	<u>(183,284)</u>	<u>564,999</u>	<u>0</u>	<u>(103,516)</u>	<u>278,199</u>
<i>Net Change in Fund Balances</i>	(5,976,376)	(130,106)	0	(847,710)	(6,954,192)
<i>Fund (Deficit) Balances at Beginning of Year, As Previously Reported</i>	8,285,372	2,630,870	(157,181)	5,111,393	15,870,454
<i>Adjustment for Change in Major Funds</i>	0	0	157,181	(157,181)	0
<i>Fund Balances at Beginning of Year, As Adjusted</i>	<u>8,285,372</u>	<u>2,630,870</u>	<u>0</u>	<u>4,954,212</u>	<u>15,870,454</u>
<i>Fund Balances at End of Year</i>	<u>\$2,308,996</u>	<u>\$2,500,764</u>	<u>\$0</u>	<u>\$4,106,502</u>	<u>\$8,916,262</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City 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, 2025*

Net Change in Fund Balances - Total Governmental Funds (\$6,954,192)

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/amortization expense. This is the amount capital asset additions and depreciation/amortization in the current period.

Capital Asset Additions	880,272	
Current Year Depreciation and Amortization	(3,973,371)	
Total		(3,093,099)

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

Taxes	(903)	
Tuition and Fees	(7,965)	
Donations	(11,825)	
Intergovernmental	(192,445)	
Total		(213,138)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.

Pension	3,563,354	
OPEB	128,842	
Total		3,692,196

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense (gain) in the statement of activities.

Pension	(2,462,943)	
OPEB	684,665	
Total		(1,778,278)

Repayments of bond and note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

2,510,000

Payments to bond escrow agents are other financing uses in the governmental funds, but the payments reduce liabilities in the statement of net position and does not result in an expense in the statement of activities.

25,660,000

The issuance of bonds provide current financial resources to governmental funds, but has no effect on net position.

(26,188,997)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

Premiums	198,358	
Deferred Charge on Refunding	173,296	
Annual Accretion of Capital Appreciation Bonds	(155,467)	
Total		216,187

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

Increase in Compensated Absences	(455,545)	
Increase in Interest Payable	(21,328)	
Total		(476,873)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenses and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(257,701)

Net Change in Net Position of Governmental Activities (\$6,883,895)

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and Other Local Taxes	\$11,849,135	\$11,952,109	\$11,952,109	\$0
Intergovernmental	19,777,501	18,866,027	18,865,074	(953)
Interest	810,540	616,268	616,220	(48)
Tuition and Fees	559,086	406,241	406,231	(10)
Rent	52,324	15,715	15,715	0
Extracurricular Activities	22,149	20,930	20,930	0
Gifts and Donations	8,241	3,442	3,442	0
Customer Sales and Services	8,253	11,273	11,273	0
Payments in Lieu of Taxes	47,525	0	0	0
Miscellaneous	192,363	218,322	218,322	0
<i>Total Revenues</i>	<u>33,327,117</u>	<u>32,110,327</u>	<u>32,109,316</u>	<u>(1,011)</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,927,183	14,493,230	14,502,953	(9,723)
Special	5,182,271	5,951,789	5,945,307	6,482
Vocational	85,732	93,873	93,657	216
Student Intervention Services	2,475	1,851	0	1,851
Other	557,116	544,895	544,895	0
Support Services:				
Pupils	2,587,214	2,675,117	2,688,306	(13,189)
Instructional Staff	290,672	492,815	488,992	3,823
Board of Education	104,985	118,078	119,000	(922)
Administration	3,439,055	3,619,239	3,632,640	(13,401)
Fiscal	896,056	815,131	816,921	(1,790)
Business	10,290	4,020	3,605	415
Operation and Maintenance of Plant	3,712,107	4,306,953	4,091,064	215,889
Pupil Transportation	1,886,079	1,749,780	1,815,123	(65,343)
Central	520,944	695,390	665,092	30,298
Operation of Non-Instructional Services	10,149	301	0	301
Extracurricular Activities	783,673	677,492	677,933	(441)
Capital Outlay	587,261	89,314	63,872	25,442
<i>Total Expenditures</i>	<u>34,583,262</u>	<u>36,329,268</u>	<u>36,149,360</u>	<u>179,908</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,256,145)</u>	<u>(4,218,941)</u>	<u>(4,040,044)</u>	<u>178,897</u>
Other Financing Sources (Uses):				
Advances In	600,000	968,618	968,618	0
Insurance Recoveries	8	0	0	0
Transfers Out	(645,392)	(186,715)	(186,715)	0
Advances Out	0	(1,058,165)	(1,058,165)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(45,384)</u>	<u>(276,262)</u>	<u>(276,262)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,301,529)</u>	<u>(4,495,203)</u>	<u>(4,316,306)</u>	<u>178,897</u>
<i>Fund Balance at Beginning of Year</i>	<u>8,122,444</u>	<u>8,122,444</u>	<u>8,122,444</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>266,203</u>	<u>266,203</u>	<u>266,203</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$7,087,118</u></u>	<u><u>\$3,893,444</u></u>	<u><u>\$4,072,341</u></u>	<u><u>\$178,897</u></u>

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund
Assets:		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$4,582	\$370,031
Cash and Cash Equivalents with Fiscal Agents	0	1,626,181
<i>Total Current Assets</i>	4,582	1,996,212
<i>Noncurrent Assets:</i>		
Depreciable Capital Assets, net	45,648	0
<i>Total Assets</i>	50,230	1,996,212
Deferred Outflows of Resources:		
Pension	7,020	0
OPEB	26,008	0
<i>Total Deferred Outflows of Resources</i>	33,028	0
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	1,102	0
Accrued Wages and Benefits	3,566	0
Interfund Payable	31,814	0
Intergovernmental Payable	52	0
Claims Payable	0	677,386
<i>Total Current Liabilities</i>	36,534	677,386
<i>Noncurrent Liabilities:</i>		
Net Pension Liability	81,478	0
Net OPEB Liability	16,481	0
<i>Total Noncurrent Liabilities</i>	97,959	0
<i>Total Liabilities</i>	134,493	677,386
Deferred Inflows of Resources:		
Pension	5,095	0
OPEB	25,777	0
<i>Total Deferred Inflows of Resources</i>	30,872	0
Net Position:		
Net Investment in Capital Assets	45,648	0
Unrestricted (Deficit)	(127,755)	1,318,826
<i>Total Net Position</i>	(\$82,107)	\$1,318,826

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund
Operating Revenues:		
Charges for Services	\$0	\$4,668,707
Other	127,548	0
<i>Total Operating Revenues</i>	127,548	4,668,707
Operating Expenses:		
Salaries	49,269	0
Fringe Benefits	22,706	0
Purchased Services	57,630	1,573,660
Materials and Supplies	1,462	0
Depreciation	5,271	0
Claims	0	3,419,736
<i>Total Operating Expenses</i>	136,338	4,993,396
<i>Operating Loss</i>	(8,790)	(324,689)
Nonoperating Revenues:		
Interest	23	66,988
<i>Total Nonoperating Revenues</i>	23	66,988
<i>Net Change in Net Position</i>	(8,767)	(257,701)
<i>Net Position Beginning of Year</i>	(73,340)	1,576,527
<i>Net Position End of Year</i>	(\$82,107)	\$1,318,826

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund
Decrease in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash Received for Charges for Services and Sales	\$0	\$4,668,707
Cash Paid for Personal Services	(71,254)	0
Cash Paid for Purchased Services	(56,678)	(1,573,660)
Cash Paid for Supplies and Materials	(1,462)	0
Cash Paid for Other Purposes	0	0
Cash Paid for Claims	0	(3,248,518)
Other Cash Received	127,548	0
<i>Net Cash Flows Used by Operating Activities</i>	(1,846)	(153,471)
Cash Flows from Financing Activities:		
Advance Paid to General Fund	(6,220)	0
<i>Net Cash Flows Used by Financing Activities</i>	(6,220)	0
Cash Flows from Investing Activities:		
Interest	23	66,988
<i>Net Cash Flows Provided by Investing Activities</i>	23	66,988
<i>Net Decrease in Cash and Cash Equivalents</i>	(8,043)	(86,483)
<i>Cash and Cash Equivalents at Beginning of Year</i>	12,625	2,082,695
<i>Cash and Cash Equivalents at End of Year</i>	\$4,582	\$1,996,212
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	(\$8,790)	(\$324,689)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</i>		
Depreciation	5,271	0
<i>Changes in Assets, Liabilities, and Deferred Inflows/Outflows of Resources:</i>		
Increase in Accounts Payable	952	0
Increase in Accrued Wages and Benefits	174	0
Decrease in Intergovernmental Payable	(14,510)	0
Increase in Claims Payable	0	171,218
Decrease in Deferred Outflows of Resources	20,008	0
Increase in Deferred Inflows of Resources	8,013	0
Decrease in Net Pension Liability	(3,003)	0
Decrease in Net OPEB Liability	(9,961)	0
<i>Net Cash Used by Operating Activities</i>	(\$1,846)	(\$153,471)

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Fiduciary Net Position
Fiduciary Fund
As of June 30, 2025

	<u>Custodial Fund</u>
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$165,209</u>
<i>Total Current Assets</i>	<u>165,209</u>
<i>Total Assets</i>	165,209
Liabilities:	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits	2,664
Intergovernmental Payable	<u>39</u>
<i>Total Current Liabilities</i>	<u>2,703</u>
<i>Total Liabilities</i>	2,703
Net Position:	
Restricted for Individuals, Organizations and Other Governments	<u>162,506</u>
<i>Total Net Position</i>	<u><u>\$162,506</u></u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions:	
Amounts Received as Fiscal Agent	<u>\$134,207</u>
<i>Total Additions</i>	134,207
Deductions:	
Distributions as Fiscal Agent	<u>193,649</u>
<i>Total Deductions</i>	<u>193,649</u>
<i>Net Change in Net Position</i>	(59,442)
<i>Net Position Beginning of Year</i>	<u>221,948</u>
<i>Net Position End of Year</i>	<u><u>\$162,506</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTE 1-DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The School District was established in 1849 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 22 square miles. It is located in Ross County, and includes all of the Village of Massieville, the City of Chillicothe and a portion of Scioto Township. It is staffed by 204 non-certified employees, 185 certificated full-time teaching personnel and 17 administrative employees who provide services to 2,453 students and other community members. The School District currently operates five instructional buildings, one administrative building, one maintenance building, one bus garage, and an athletic center.

Reporting Entity

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organizations
- Ross-Pike Educational Service District
- City of Chillicothe

The following activities are included within the reporting entity:

Bishop Flaget Parochial School-Within the School District boundaries, the Bishop Flaget Parochial School, a school that provides classes for kindergarten through eighth grade, is operated through the Columbus Catholic Diocese. Current State legislation provides funding to this parochial school. Monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as a public entities risk pool, and one as an insurance purchasing pool. These organizations are META Solutions, Pickaway-Ross Career and Technology Center, Jefferson Health Plan, and Schools of Ohio Risk Sharing Authority. These organizations are presented in note 15 of the notes to the basic financial statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

Basis of Presentation-Fund Accounting

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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/outflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The School District's nonmajor enterprise fund is used to account for activity of the Cavalier Athletic Center.

Internal Service Funds

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the self-insurance program for employee medical claims.

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 distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only fiduciary fund is a custodial fund which is used to account for activity of the Ross County Family and Children First Council, for which the School District acts as fiscal agent. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Basis of Presentation and Measurement Focus

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the financial condition of governmental activities and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School 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 School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by fund type.

Measurement Focus

Government-wide Financial Statements - The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

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, current liabilities, and certain deferred inflows/outflows of resources 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources 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 net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other post-employment benefits. These items are further explained in notes 10 and 11.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources included property taxes, pension, leases, other post-employment benefits, deferred charge for refunding of unamortized bond premiums, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 operations have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2025. Deferred inflows of resources related to pension and other post-employment benefits are reported on the government-wide statement of net position and are further explained in notes 10 and 11.

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 general long-term debt obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave, which are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets

Budgetary Process

All funds, except 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

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 as the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level of each fund.

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

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.

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a restriction, commitment, or assignment on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as restricted, committed, or assigned fund balance for subsequent year expenditures for governmental funds. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2025, investments were limited to money market accounts, negotiable certificates of deposit, U.S. government agency securities, U.S. Treasury securities, commercial paper, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

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 2025 amounted to \$616,328. Nonmajor Governmental Funds, the Internal Service Fund, and the Nonmajor Enterprise Fund earned interest revenue of \$23,504, \$66,988, and \$23, respectively. The School District also experienced increases in fair value of investments of \$76,292 in the General Fund.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Capital Assets and Depreciation/Amortization

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, 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	10-20 years
Building and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	4-8 years

Amortization of intangible right to use leased assets is computed using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

The School District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave.

A liability for compensated absences is recorded as incurred in the government-wide statement of net position using the first-in, first-out flow assumption, where the oldest accumulated leave is the leave used first. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

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 more likely than not that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Sick leave benefits considered more likely than not to be used or settled at termination are recognized as a liability in the financial statements. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the School District's termination policy.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee who has accumulated unpaid leave is paid. The School District did not have any matured compensated absences to report as of June 30, 2025.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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. Bonds, notes, financed purchases, and leases are recognized as a liability on the government-wide financial statements when due.

Interfund Transactions

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

Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position includes various grants and other resources restricted for various purposes. Restricted net position for net OPEB assets represents the corresponding restricted amounts held in trust by the OPEB plans for future benefits, net of related deferred outflows and inflows of resources. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the School District's restricted net position, none are restricted by enabling legislation.

Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the School District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District’s Board of Education.

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciations bonds is recorded as an expenditure when the debt becomes due.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Pensions/OPEB

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense (gain), 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.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District's Enterprise Fund, these revenues are membership fees, advertising, tournament fees, and other charges. For the Internal Service Fund, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 3-ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2025, the Food Service, District Managed Activities, Public School Preschool, Miscellaneous State Grants, Title VI-B, Title I – School Improvement, Title I, Drug Free Schools, Early Childhood Special Education, Title VI-R, and Miscellaneous Federal Grants Nonmajor Special Revenue Funds had deficit fund balances of \$103,724, \$33,676, \$12,378, \$23,164, \$221,794, \$50,194, \$246,453, \$25,676, \$16,005, \$9,658, and \$78,285 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

The School District did not issue 412 certificates for several qualifying contracts, which is contrary to Ohio Revised Code Section 5705.412.

NOTE 4-BUDGETARY BASIS OF ACCOUNTING

While the School 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 statements of revenues, expenditures and changes in fund balance – budget and actual – (budget basis) for the General Fund are 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:

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 restriction, commitment, or assignment of fund balance.
4. In accordance with generally accepted accounting principles, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the entire Rotary Fund and Termination Benefits Fund and a portion of the Public School Support Fund.

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	(\$5,976,376)
Revenue and Other	
Financing Sources Accruals	1,882,550
Expenditures and Other	
Financing Uses Accruals	(79,754)
Encumbrances	(552,442)
(Excess) Deficit of Funds Combined with	
General Fund for Reporting Purposes	<u>409,716</u>
Budget Basis	<u><u>(\$4,316,306)</u></u>

NOTE 5-DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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 or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

At June 30, 2025, the School District's self-insurance internal service fund had a balance of \$1,626,181 with the Jefferson Health Plan, a claims servicing pool (see note 9). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2025, the School District's bank balance of \$1,615,604 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

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

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

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

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Investments

As of June 30, 2025, the School District had the following investments and maturities.

Investment Type	Fair Value	Less than 1 Year	1-2 Years	3-5 Years	% of Total	Credit Rating (S&P)
Money Market Funds	\$2,181,537	\$2,181,537	\$0	\$0	18.66%	AAAm
Federal Home Loan Bank	546,728	329,992	96,609	120,127	4.68%	AA+
Negotiable Certificates of Deposit	204,122	204,122	0	0	1.75%	N/A
Commercial Paper	1,470,675	1,470,675	0	0	12.58%	N/A
Federal Farm Credit Bank	123,772	0	123,772	0	1.06%	AA+
Federal National Mortgage Association	397,492	397,492	0	0	3.40%	AA+
US Treasury Note	345,569	147,643	0	197,926	2.96%	AA+
STAR Ohio	6,422,679	6,422,679	0	0	54.91%	AAAm
Total	<u>\$11,692,574</u>	<u>\$11,154,140</u>	<u>\$220,381</u>	<u>\$318,053</u>	<u>100%</u>	

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The above chart identifies the School District's recurring fair value measurements as of June 30, 2025. The money market fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). As discussed further in note 2, STAR Ohio is reported at its share price. All other investments are measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk. As a means to limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy requires that investment portfolio maturities are limited to five years or less.

Credit Risk. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The negotiable certificates of deposit are not rated but are covered by FDIC as described in the deposits section above.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount that may be invested in any one issuer.

NOTE 6-PROPERTY TAXES

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

Chillicothe City School District
Notes to the Basic Financial Statements
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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024, and are collected in 2025 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2025 taxes were collected are:

	2024 Second-Half Collections		2025 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$487,492,350	90.98%	\$488,241,070	90.07%
Public Utility	48,346,880	9.02%	53,852,840	9.93%
Total Assessed Value	\$535,839,230	100.00%	\$542,093,910	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$52.40		\$52.40	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 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, 2025. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal 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 amount available as an advance at June 30, 2025, was \$675,752 in the General Fund, \$179,002 in the Debt Service Fund and \$54,202 in the Permanent Improvement Fund.

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

NOTE 7-RECEIVABLES

Receivables at June 30, 2025, consisted of property taxes, leases, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables is as follows:

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<i>Major Funds:</i>	
General	\$16,660
<i>Nonmajor Special Revenue Funds:</i>	
Public School Preschool	12,378
Miscellaneous State	201,664
Title VI-B	221,786
School Improvement	50,194
Title I	255,746
Drug Free	71,187
Early Childhood Special Ed	16,005
Title VI-R	30,396
Miscellaneous Federal	98,385
<i>Total Nonmajor Funds</i>	<u>957,741</u>
<i>Total All Funds</i>	<u>\$974,401</u>

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Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 8-CAPITAL ASSETS

Capital assets activity of the fiscal year ended June 30, 2025 was as follows:

	Ending Balance 6/30/24	Additions	Deletions	Ending Balance 6/30/25
Governmental Activities:				
Capital Assets, Not Being Depreciated/Amortized				
Land	\$607,140	\$0	\$0	\$607,140
Construction in Progress	0	27,816	0	27,816
Total Capital Assets, Not Being Depreciated/Amortized	607,140	27,816	0	634,956
Capital Assets Being Depreciated/Amortized				
Land Improvements	2,048,899	529,204	0	2,578,103
Buildings and Improvements	93,466,039	26,250	0	93,492,289
Furniture and Equipment	4,970,344	114,499	0	5,084,843
Vehicles	2,997,971	182,503	0	3,180,474
Intangible Right to Use Leased Asset	251,340	0	0	251,340
Total Capital Assets, Being Depreciated/Amortized	103,734,593	852,456	0	104,587,049
Less Accumulated Depreciation/Amortization				
Land Improvements	(1,041,156)	(110,392)	0	(1,151,548)
Buildings and Improvements	(29,232,493)	(2,904,297)	0	(32,136,790)
Furniture and Equipment	(3,401,219)	(500,398)	0	(3,901,617)
Vehicles	(2,148,921)	(407,461)	0	(2,556,382)
Intangible Right to Use Leased Asset	(162,400)	(50,823)	0	(213,223)
Total Accumulated Depreciation/Amortization	(35,986,189)	(3,973,371)	0	(39,959,560)
Total Capital Assets Being Depreciated/Amortized, Net	67,748,404	(3,120,915)	0	64,627,489
Governmental Activities Capital Assets, Net	\$68,355,544	(\$3,093,099)	\$0	\$65,262,445

Depreciation and amortization expenses were charged to the governmental functions as follows:

Instruction:	
Regular	\$3,065,676
Special	4,437
Vocational	1,982
Support Services:	
Instructional Staff	18,159
Administration	6,443
Fiscal	2,391
Operation and Maintenance of Plant	196,486
Pupil Transportation	431,948
Central	6,469
Operation of Non-Instrumental Services	161,578
Extracurricular Activities	77,802
Total Depreciation Expense and Amortization	<u>\$3,973,371</u>

Of the current year depreciation and amortization total of \$3,973,371, \$50,823 is presented as various expenses on the Statement of Activities related to the School District's intangible asset of copiers, which is included as an Intangible Right to Use Lease. In accordance with Governmental Accounting Standards Board Statement No. 87,

Chillicothe City School District
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“Leases”, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

	Ending Balance 6/30/24	Additions	Deletions	Ending Balance 6/30/25
Business-Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$54,378	\$0	\$0	\$54,378
Total Capital Assets, Being Depreciated	54,378	0	0	54,378
Less Accumulated Depreciation				
Furniture and Equipment	(3,459)	(5,271)	0	(8,730)
Total Accumulated Depreciation	(3,459)	(5,271)	0	(8,730)
Total Capital Assets Being Depreciated, Net	50,919	(5,271)	0	45,648
Business-Type Activities Capital Assets, Net	\$50,919	(\$5,271)	\$0	\$45,648

NOTE 9-RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the School District contracted with Schools of Ohio Risk Sharing Authority for liability, property, fleet, inland marine, and boiler and machinery insurance. Coverages provided are as follows:

General Liability:

General Aggregate Limit	\$17,000,000
Each Occurrence	15,000,000

Employers Stop Gap Liability:

Bodily Injury by Accident – Each Occurrence	15,000,000
Bodily Injury by Disease – Each Employee	15,000,000
Bodily Injury by Disease – Policy Limit	15,000,000

Educators Liability (\$10,000 Deductible):

Wrongful Act Aggregate Limit	15,000,000
Wrongful Act Each Occurrence	15,000,000
Employee Benefits Liability	15,000,000

Automobile Liability:

Bodily Injury and Property Damage – Each Occurrence	15,000,000
Uninsured/Underinsured Motorist Aggregate Limit	1,000,000

Automobile Physical Damage (\$500 Deductible):

Each Occurrence	Actual Cash Value
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Property Insurance:

Building/Contents (\$5,000 Deductible)	350,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years. The School District had no significant reductions in coverage from the prior year.

Chillicothe City School District
Notes to the Basic Financial Statements
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The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The School District did not qualify for a Group Rating Plan due to prior claims. Participation in a GRP is limited to school districts that can meet the GRP's selection criteria.

Employee Benefits

The School District provides dental insurance through Trustmark, vision insurance through Vision Service Plan, life insurance through the Metropolitan Educational Council, and supplemental life insurance through Grady Enterprises.

Medical insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of 95 school districts within the State, in which monthly premiums for the cost of claims are remitted to the fiscal agent, Jefferson Health Plan, who in turn pays the claims on the School District's behalf. The claims liability of \$677,386 reported in the internal service fund at June 30, 2025 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus." These standards require that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses.

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

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2025	\$506,168	\$3,419,736	\$3,248,518	\$677,386
2024	604,771	2,892,358	2,990,961	506,168

NOTE 10-DEFINED BENEFIT PENSION PLANS

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

Net Pension/OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. 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 obligation to sacrifice resources for pension/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the

Chillicothe City School District
Notes to the Basic Financial Statements
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School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Chillicothe City School District
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and 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, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,117,688 for fiscal year 2025. Of this amount, \$236,649 is reported as an intergovernmental payable in the accompanying financial statements.

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report 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. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary 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 July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 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.

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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 is deposited into the member's DC account and the remaining 2 percent is applied 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 at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,444,084 for fiscal year 2025. Of this amount, \$428,940 is reported as an intergovernmental payable in the accompanying financial statements.

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

The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Current Measurement Date	0.15927330%	0.116094810%	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.15187630%	0.115802160%	
Change in Proportionate Share	0.00739700%	0.000292650%	
Proportionate Share of the Net			
Pension Liability	\$8,147,780	\$22,338,517	\$30,486,297
Pension Expense	\$1,048,636	\$1,424,231	\$2,472,867

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$311,071	\$1,406,744	\$1,717,815
Changes of assumptions	72,888	1,029,483	1,102,371
Changes in proportion and differences between School District contributions and proportionate share of contributions	476,177	232,279	708,456
School District contributions subsequent to the measurement date	<u>1,117,688</u>	<u>2,444,084</u>	<u>3,561,772</u>
Total Deferred Outflows of Resources	<u><u>\$1,977,824</u></u>	<u><u>\$5,112,590</u></u>	<u><u>\$7,090,414</u></u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$12,230	\$12,230
Changes of assumptions	0	774,903	774,903
Net difference between projected and actual earnings on pension plan investments	509,637	1,920,659	2,430,296
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>0</u>	<u>220,426</u>	<u>220,426</u>
Total Deferred Inflows of Resources	<u><u>\$509,637</u></u>	<u><u>\$2,928,218</u></u>	<u><u>\$3,437,855</u></u>

\$3,561,772 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (gain) as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	(\$194,735)	\$1,508,146	\$1,313,411
2027	678,624	(635,891)	42,733
2028	16,475	(635,890)	(619,415)
2029	<u>(149,865)</u>	<u>(496,077)</u>	<u>(645,942)</u>
Total	<u><u>\$350,499</u></u>	<u><u>(\$259,712)</u></u>	<u><u>\$90,787</u></u>

Actuarial Assumptions - SERS

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

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

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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 2137.

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, 2024, below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. 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 a 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. As of June 30, 2024:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did 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 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$12,464,974	\$8,147,780	\$4,512,934

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	<u>1.00</u>	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocation 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 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$36,035,943	\$22,338,517	\$10,752,848

NOTE 11 – DEFINED BENEFIT OPEB PLANS

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

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 fiscal year 2025, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the School District's surcharge obligation was \$128,842.

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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$128,842 for fiscal year 2025, which was recorded as an intergovernmental payable in the accompanying financial statements.

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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB gain:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.16182150%	0.11609481%	
Prior Measurement Date	0.15631600%	0.11580216%	
Change in Proportionate Share	0.00550550%	0.00029265%	
Proportionate Share of the:			
Net OPEB Liability	\$1,648,144	\$0	\$1,648,144
Net OPEB (Asset)	\$0	(\$2,202,097)	(\$2,202,097)
Net OPEB Gain	(\$191,065)	(\$490,050)	(\$681,115)

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$0	\$95,728	\$95,728
Changes of assumptions	707,383	271,047	978,430
Net difference between projected and actual earnings on pension plan investments	8,045	0	8,045
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	277,045	186	277,231
School District contributions subsequent to the measurement date	<u>128,842</u>	<u>0</u>	<u>128,842</u>
Total Deferred Outflows of Resources	<u><u>\$1,121,315</u></u>	<u><u>\$366,961</u></u>	<u><u>\$1,488,276</u></u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$1,777,129	\$237,314	\$2,014,443
Changes of assumptions	757,097	993,133	1,750,230
Net difference between projected and actual earnings on OPEB plan investments	0	94,552	94,552
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>80,619</u>	<u>11,663</u>	<u>92,282</u>
Total Deferred Inflows of Resources	<u><u>\$2,614,845</u></u>	<u><u>\$1,336,662</u></u>	<u><u>\$3,951,507</u></u>

\$128,842 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (gain) as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	(\$464,366)	(\$341,362)	(\$805,728)
2027	(318,075)	(149,798)	(467,873)
2028	(221,036)	(191,195)	(412,231)
2029	(171,120)	(178,004)	(349,124)
2030	(168,698)	(144,402)	(313,100)
Thereafter	<u>(279,077)</u>	<u>35,060</u>	<u>(244,017)</u>
Total	<u><u>(\$1,622,372)</u></u>	<u><u>(\$969,701)</u></u>	<u><u>(\$2,592,073)</u></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.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

	<u>June 30, 2024</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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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 2016 through 2020, and was adopted by the Board on April 15, 2021. 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 long-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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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 long-term expected nominal rate of return has been determined by calculating a 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. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 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 be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is 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. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

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	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
School District's proportionate share of the net OPEB liability	\$2,197,742	\$1,648,144	\$1,211,415
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,114,084	\$1,648,144	\$2,350,124

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. 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 these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$1,790,450)	(\$2,202,097)	(\$2,560,319)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,584,517)	(\$2,202,097)	(\$1,742,187)

NOTE 12-EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for administrators, 270 days for teachers/certified staff, and 266 for classified supervisors and staff. Upon retirement, payment is made to teachers at a rate of 35% of the accrued 270 days, but unused sick leave credit to a maximum number of 94.50 days. The calculations change depending on the years of service with the board and number of maximum days for teachers/certified staff. Certified administrators receive 28% of accrued 270 days (75.60 days) and classified supervisors receive 28% of accrued 266 days for a maximum of (74.48 days). This excludes the Superintendent and Treasurer. They have individual contracts. Payments to classified staff who retire is 40 percent of accrued sick leave up to 220 days for a maximum 88 days paid. Payments to classified staff who separate from service for reasons other than retirement (except discharge for just cause) is 25 percent of accrued sick leave up to a maximum of 55 days.

Insurance

The School District provides medical insurance through the Jefferson Health Plan (see note 9), dental insurance through Trustmark, vision insurance through Vision Service Plan, life insurance through the Metropolitan Educational Council, and supplemental life insurance through Grady Enterprises.

Deferred Compensation

School District employees may participate in the Ohio Public 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.

Attendance Bonus for Classified Employees

Absences from work are counted from July 1 through June 30 each year. Classified employees may be eligible for an “attendance bonus” for not using days for sick or personal leave. This is payable on the second pay in June of the same fiscal year.

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Chillicothe City School District
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NOTE 13-LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2025 were as follows:

	Adjusted Outstanding 6/30/24*	Additions	Deductions	Outstanding 6/30/25	Amounts Due within One Year
<i>Governmental Activities:</i>					
2007 Construction Capital Appreciation Bonds 17.7712-17.8754%	\$90,000	\$0	(\$90,000)	\$0	\$0
Accretion of Capital Appreciation Bonds	1,659,533	155,467	(1,815,000)	0	0
2016 School Facilities Bonds:					
Series 2016A	10,265,000	0	(3,635,000)	6,630,000	5,000
Series 2016A Premium	394,662	0	(137,711)	256,951	0
Series 2016B	8,415,000	0	(6,470,000)	1,945,000	345,000
Series 2016B Premium	690,052	0	(535,143)	154,909	0
2016 Refunding Bonds	15,890,000	0	(15,890,000)	0	0
2016 Refunding Bonds Premium	1,433,674	0	(1,433,674)	0	0
2024 Refunding Bonds	0	23,835,000	0	23,835,000	1,545,000
2024 Refunding Bonds Premium	0	2,353,997	0	2,353,997	0
Total General Obligation Bonds	38,837,921	26,344,464	(30,006,528)	35,175,857	1,895,000
<i>Anticipation Notes:</i>					
2016 PI TANs	555,000	0	(270,000)	285,000	285,000
2016 PI TANs Premium	13,963	0	(6,982)	6,981	0
Total Anticipation Notes	568,963	0	(276,982)	291,981	285,000
Compensated Absences	2,598,241	455,545	0	3,053,786	1,077,488
Net Pension Liability	33,245,390	0	(2,840,571)	30,404,819	0
Net OPEB Liability	2,548,779	0	(917,116)	1,631,663	0
Total Governmental Activities Long-Term Obligations	\$77,799,294	\$26,800,009	(\$34,041,197)	\$70,558,106	\$3,257,488

*Beginning balances were adjusted for the implementation of GASB Statement No. 101, as further described in note 21.

The change in compensated absences presented above is a net change.

General Obligations Bonds

2007 Refunding Obligation Bonds – On December 13, 2006, the School District issued \$29,717,026 in general obligation refunding bonds with interest rates from 4 to 4.125 percent, to refund \$27,920,000 of the 2005 Construction General Obligation Bonds. The bond issue included serial and term bonds and capital appreciation bonds in the amounts of \$6,905,000, \$20,695,000 and \$320,000, respectively. For 2025, \$155,467 was accreted and \$1,815,000 was repaid, which was the final payment for these bonds. The capital appreciation bond matured in fiscal year 2025 and was the final maturity of this issuance. The bonds were paid from the Debt Service Fund from tax revenue.

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School Facilities Construction and Improvement Bonds, Series 2016A and B – During May 2016, the School District issued general obligation bonds in the amounts of \$12,650,000 and \$8,815,000, respectively, for the purpose of repaying bond anticipation notes that were issued for the purpose of constructing and renovating school facilities and locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission and to provide for furnishing, equipping, and improving these facilities. These bonds were issued with interest rates ranging from 1 to 4 percent and maturity dates of December 1, 2053, and December 1, 2042, respectively. Series A bonds include serial and term bonds in the amounts of \$2,670,000 and \$9,980,000, respectively. Series B bonds include serial and term bonds in the amounts of \$7,815,000 and \$1,000,000, respectively. Of these Series A and B bonds, portions were refunded in 2025. For the Series A bonds, the final payment was made on the serial bonds during fiscal year 2025, and the \$3,350,000 term bond maturing on December 1, 2046 was refunded. The \$60,000 and \$6,570,000 term bonds maturing on December 1, 2036 and December 1, 2053, respectively, remained. For the Series B bonds, all serial bonds were refunded during fiscal year 2025 except for the December 1, 2025 and December 1, 2040 maturities. \$945,000 in serial bonds and the \$1,000,000 in term bonds remained. The bonds will be paid from the Debt Service Fund.

The Series A term bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2025	\$5,000
2026	5,000
2027	5,000
2028	5,000
2029	5,000
2030	5,000
2031	5,000
2032	5,000
2033	5,000
2034	5,000
2035	5,000

The remaining principal amount of the term bonds (\$5,000) will be paid at stated maturity on December 1, 2046.

The Series A term bonds maturing on December 1, 2053, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2047	\$845,000
2048	875,000
2049	905,000
2050	935,000
2051	970,000
2052	1,000,000

The remaining principal amount of the term bonds (\$1,040,000) will be paid at stated maturity on December 1, 2053.

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The Series B term bonds maturing on December 1, 2042, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2041	\$640,000

The remaining principal amount of the term bonds (\$360,000) will be paid at stated maturity on December 1, 2042.

2016 Refunding Bonds – During September 2016, the School District issued general obligation bonds in the amount of \$23,385,000 for the purpose of currently refunding a portion of the School District’s 2007 Refunding Obligations Bonds. The School District decreased its total debt service payments by \$3,673,617 as a result of this refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$3,071,265 and incurred an accounting gain of \$78,083 (difference between reacquisition price and net carrying amount of old debt). These bonds were issued with interest rates ranging from 2 to 5 percent and maturity dates of December 1, 2032; however, in fiscal year 2025, the School District refunded the remaining balance of these bonds. The bonds were repaid from the Debt Service Fund and from the proceeds of the 2024 refunding bond issuance.

Anticipation Notes – During August 2016, the School District issued permanent improvement tax anticipation notes (TANs) in the amount of \$2,500,000. These TANs were issued in anticipation of the collection of the proceeds of the two and five-tenths (2.5) mill continuing permanent improvement levy approved by electors of the School District on March 2, 2004 for the purpose of funding general, ongoing permanent improvements. These TANs were issued with interest rates ranging from 1 percent to 4 percent and a maturity date of December 1, 2025.

2024 Refunding Obligation Bonds – On September 5, 2024, the School District issued \$23,835,000 in general obligation refunding bonds with interest rates ranging from 4 to 5 percent, to refund \$15,890,000 of the 2016 General Obligation Bonds, \$3,350,000 of the Series 2016A School Facilities General Obligation Bonds, and \$6,420,000 of the Series 2016B School Facilities General Obligation Bonds. The bond issue included serial and term bonds in the amounts of \$18,010,000 and \$5,825,000, respectively. The School District decreased its total debt service payments by \$1,619,800 as a result of this refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,289,990 and incurred an accounting gain of \$1,915,152 (difference between reacquisition price and net carrying amount of old debt), which will be amortized over the shorter of the new debt or the old debt. The bonds will be paid from the Debt Service Fund.

The term bonds maturing on December 1, 2037, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2035	\$460,000
2036	480,000

The remaining principal amount of the term bonds (\$510,000) will be paid at stated maturity on December 1, 2037.

The term bonds maturing on December 1, 2039, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

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<u>Year</u>	<u>Amount</u>
2038	\$530,000

The remaining principal amount of the term bonds (\$560,000) will be paid at stated maturity on December 1, 2039.

The term bonds maturing on December 1, 2044, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2040	\$5,000
2041	5,000
2042	310,000
2043	690,000

The remaining principal amount of the term bonds (\$725,000) will be paid at stated maturity on December 1, 2044.

The term bonds maturing on December 1, 2046, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2045	\$760,000

The remaining principal amount of the term bonds (\$790,000) will be paid at stated maturity on December 1, 2046.

Principal and interest requirements to retire general obligation debt at June 30, 2025 are as follows:

<u>Fiscal Year Ending</u>	<u>2016 PI TANS</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$285,000	\$11,400
Totals	\$285,000	\$11,400

<u>Fiscal Year</u> <u>Ending</u>	<u>2016A/B School Facilities</u> <u>Construction and Improvement</u>			
	<u>Bonds</u>		<u>2024 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$350,000	\$294,850	\$1,545,000	\$1,137,625
2027	5,000	289,525	1,915,000	1,051,125
2028	5,000	289,375	2,015,000	952,875
2029	5,000	289,225	2,120,000	849,500
2030	5,000	289,075	2,220,000	741,000
2031-2035	25,000	1,443,125	8,195,000	2,112,625
2036-2040	10,000	1,440,050	2,540,000	1,073,750
2041-2045	1,600,000	1,233,150	1,735,000	633,125
2046-2050	2,625,000	1,014,038	1,550,000	62,600
2051-2054	3,945,000	282,187	0	0
Totals	\$8,575,000	\$6,864,600	\$23,835,000	\$8,614,225

The School District's overall legal debt margin was \$16,203,359 and the unvoted debt margin was \$543,094 at June 30, 2025.

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NOTE 14-INTERFUND ACTIVITY

Transfers

For the year ended June 30, 2025, the School District had the following interfund transactions:

	Transfers In	Transfers Out
<i>Major Fund:</i>		
General Fund	\$0	\$183,284
Bond Retirement	286,800	0
 <i>Other Governmental Funds:</i>		
Permanent Improvement	0	286,800
Food Service	183,284	0
Total Nonmajor Funds	183,284	286,800
 Total All Funds	\$470,084	\$470,084

Transfers were made from other nonmajor governmental funds to move restricted balances to support programs and projects.

During the year, the School District's Permanent Improvement Fund transferred funds to the Bond Retirement Fund to provide funds debt payments. The General Fund provided funds to a nonmajor governmental fund to subsidize operations.

Interfund Receivables/Payables

As of June 30, 2025, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable	Payable
<i>Major Fund:</i>		
General Fund	\$1,057,636	\$0
 <i>Other Governmental Funds:</i>		
District Managed Activities	0	119,781
Miscellaneous State Grants	0	201,664
IDEA Part B	0	214,685
School Improvements	0	50,194
Title I	0	224,220
Drug Free	0	67,427
Early Childhood Special Education	0	16,005
Title II-A	0	27,286
Miscellaneous Federal Grants	0	104,560
Total Nonmajor Funds	0	1,025,822
 <i>Enterprise Fund:</i>		
Cavalier Athletic Center	0	31,814
 Total All Funds	\$1,057,636	\$1,057,636

During the year, the School District's General Fund made advances to other governmental funds in anticipation of intergovernmental grant revenue and to business-type activity funds in anticipation of miscellaneous revenue.

NOTE 15-JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK AND INSURANCE PURCHASING POOLS

Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions – META Solutions is an educational solutions partner providing services across Ohio. META Solutions 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 Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions' Chief Executive Officer, Chief Operating Officer, an 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 Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META Solutions \$418,514 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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 elected city and county school boards within Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Stahr, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Public Entity Risk Pool

Jefferson Health Plan – The School District participates in the Jefferson Health Plan (the Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the Plan's assembly. The Plan's business and affairs are conducted by a nine-member Board of Directors elected from the assembly. The Plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants.

All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third-party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

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Jefferson County Educational Service Center serves as fiscal agent. To obtain financial information write to the Center, at 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Insurance Purchasing Pool

Schools of Ohio Risk Sharing Authority Board – The School District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine-member Board of Directors consisting of a President, Vice President, Secretary, Treasurer, and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the School District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. The School District pays an annual premium to SORSA for this coverage. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

NOTE 16-SET-ASIDE CALCULATIONS/FUND BALANCE RESTRICTIONS

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

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

	<u>Capital Acquisition</u>
Set Aside Balance as of June 30, 2024	\$0
Current Year Set Aside Requirement	610,700
Current Year Qualifying Expenditures	<u>(1,267,961)</u>
Total	<u>(\$657,261)</u>
Balance Carried Forward to Fiscal Year 2026	<u>\$0</u>
Set-Aside Balance June 30, 2025	<u><u>\$0</u></u>

The School District had qualifying disbursements during the year that reduced the set-aside amount to zero in the Capital Acquisition Set-Aside. The carryover amount in the capital acquisition set-aside is limited to the qualifying expenditures or the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$18,027,818 as of June 30, 2025.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 17-FUND BALANCES

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Library Purposes	\$0	\$0	\$450,000	\$450,000
Unclaimed Monies	4,805	0	0	4,805
Total Nonspendable	4,805	0	450,000	454,805
<i>Restricted for</i>				
Capital Projects and Maintenance	0	0	4,025,482	4,025,482
Other Purposes	0	0	137,703	137,703
Student Managed Activities	0	0	132,948	132,948
Debt Service	0	2,500,764	0	2,500,764
Total Restricted	0	2,500,764	4,296,133	6,796,897
<i>Committed for</i>				
Services and Supplies	0	0	181,376	181,376
Termination Benefits	322,773	0	0	322,773
Total Committed	322,773	0	181,376	504,149
<i>Assigned to</i>				
Future Purchases	494,137	0	0	494,137
Subsequent Budget Deficit	376,513	0	0	376,513
Student and Staff Support	77,652	0	0	77,652
Total Assigned	948,302	0	0	948,302
<i>Unassigned (Deficit)</i>	1,033,116	0	(821,007)	212,109
<i>Total Fund Balances</i>	<u>\$2,308,996</u>	<u>\$2,500,764</u>	<u>\$4,106,502</u>	<u>\$8,916,262</u>

NOTE 18 – CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2025, if applicable, cannot be determined at this time.

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Litigation

The School District is not currently party to legal proceedings.

State Foundation Funding

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) 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. Additional DEW adjustments for fiscal year 2025 have been finalized. These adjustments resulted in an intergovernmental receivable of \$16,660 for the August 2025 adjustment and an intergovernmental payable of \$565 for the November 2025 adjustment.

NOTE 19 – COMMITMENTS

Encumbrances

At June 30, 2025, the School District had significant encumbrance commitments in governmental funds as follows:

<i>Major Fund</i>	
General	\$559,548
<i>Nonmajor Funds</i>	
Permanent Improvement	114,355
Food Service	163,416

NOTE 20 – SUBSEQUENT EVENTS

The School District is no longer the fiscal agent for Ross County Family and Children First Council effective July 1, 2025.

NOTE 21 – NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2025, the School District implemented GASB Statement No. 101, "Compensated Absences" and GASB Statement No. 102, "Certain Risk Disclosures".

GASB Statement No. 101 provides updated guidance on accounting for and reporting compensated absences, which includes recognizing a liability for leave that is attributable to service already rendered and is more likely than not to be used or otherwise paid or settled. The implementation of GASB Statement No. 101 has the following impact on beginning net position:

	Governmental Activities
Net Position at June 30, 2024	\$14,314,068
Adjustments: GASB No. 101 Implementation	462,349
Restated Net Position at June 30, 2024	<u>\$14,776,417</u>

GASB Statement 102 requires school districts to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. A concentration, as defined by Statement 102, is a lack of diversity related to an aspect of a significant inflow or outflow of resources, for example, a small number of companies that represent a majority of employment in a school district's jurisdiction, or a school district that relies on one revenue source for most of its revenue. A constraint is a limitation imposed on a school district by an external party or by

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formal action of the school district's highest level of decision-making authority, such as a voter-approved property tax cap or a state-imposed debt limit. The School District had no disclosures related to concentrations or constraints. This GASB pronouncement relates to note disclosure only and had no effect on beginning net position/fund balance.

NOTE 22 – CHANGE IN REPORTING ENTITY

For fiscal year 2025, the ESSER fund presentation changed from major to nonmajor.

Chillicothe City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<i>State Teachers Retirement System</i>										
School District's proportion of the net pension liability	0.11320302%	0.11495518%	0.11323341%	0.11232366%	0.10889470%	0.10865628%	0.109403642%	0.114975580%	0.115802160%	0.116094810%
School District's proportionate share of the net pension liability	\$31,286,004	\$38,478,964	\$26,898,839	\$24,697,451	\$24,081,408	\$26,290,954	\$13,988,239	\$25,559,216	\$24,937,923	\$22,338,517
School District's covered payroll	\$10,995,771	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550	\$14,519,100	\$14,957,621	\$14,659,907
School District's proportionate share of the net pension liability as a percentage of its covered payroll	284.5%	292.1%	203.2%	197.1%	187.6%	197.8%	107.7%	176.0%	166.7%	152.4%
Plan fiduciary net position as a percentage of the total pension liability	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%	78.9%	80.0%	82.5%
<i>School Employees Retirement System</i>										
School District's proportion of the net pension liability	0.12520490%	0.13317600%	0.13309090%	0.14172080%	0.14252540%	0.13885580%	0.13800710%	0.14392120%	0.15187630%	0.15927330%
School District's proportionate share of the net pension liability	\$7,144,312	\$9,747,254	\$7,951,887	\$8,116,613	\$8,527,545	\$9,184,215	\$5,092,062	\$7,784,378	\$8,391,948	\$8,147,780
School District's covered payroll	\$3,704,401	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157	\$5,593,114	\$5,452,457	\$6,944,621
School District's proportionate share of the net pension liability as a percentage of its covered payroll	192.9%	231.5%	188.1%	184.7%	187.3%	198.2%	110.2%	139.2%	153.9%	117.3%
Plan fiduciary net position as a percentage of the total pension liability	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%	75.8%	76.1%	78.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
See accompanying notes to the required supplementary information.

Chillicothe City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Nine Fiscal Years

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<i>State Teachers Retirement System</i>									
School District's proportion of the net OPEB liability (asset)	0.11495518%	0.11323341%	0.11232366%	0.10889470%	0.10865628%	0.109403642%	0.114975580%	0.115802160%	0.116094810%
School District's proportionate share of the net OPEB liability (asset)	\$6,055,752	\$4,417,950	(\$1,804,927)	(\$1,803,558)	(\$1,909,632)	(\$2,306,686)	(\$2,977,101)	(\$2,252,192)	(\$2,202,097)
School District's covered payroll	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550	\$14,519,100	\$14,957,621	\$14,659,907
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	46.0%	33.4%	-14.4%	-14.0%	-14.4%	-17.8%	-20.5%	-15.1%	-15.0%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%	174.7%	230.7%	168.5%	158.0%
<i>School Employees Retirement System</i>									
School District's proportion of the net OPEB liability	0.13317600%	0.13513480%	0.14284570%	0.14548210%	0.14423220%	0.14105230%	0.14736890%	0.15631600%	0.16182150%
School District's proportionate share of the net OPEB liability	\$3,851,842	\$3,626,663	\$3,962,926	\$3,658,569	\$3,134,638	\$2,669,530	\$2,069,075	\$2,575,221	\$1,648,144
School District's covered payroll	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157	\$5,593,114	\$5,452,457	\$6,944,621
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.5%	85.8%	90.2%	80.4%	67.6%	57.8%	37.0%	47.2%	23.7%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%	30.3%	30.0%	44.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See accompanying notes to the required supplementary information.

Chillicothe City School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$1,844,384	\$1,853,216	\$1,754,486	\$1,797,218	\$1,861,081	\$1,818,397	\$2,032,674	\$2,094,067	\$2,052,387	\$2,444,084
Contractually required contribution - OPEB	0	0	0	0	0	0	0	0	0	0
Contractually required contribution - total	1,844,384	1,853,216	1,754,486	1,797,218	1,861,081	1,818,397	2,032,674	2,094,067	2,052,387	2,444,084
Contributions in relation to the contractually required contribution	1,844,384	1,853,216	1,754,486	1,797,218	1,861,081	1,818,397	2,032,674	2,094,067	2,052,387	2,444,084
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550	\$14,519,100	\$14,957,621	\$14,659,907	\$17,457,743
Contributions as a percentage of covered payroll - pension	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$589,340	\$591,936	\$593,096	\$614,512	\$648,845	\$647,102	\$783,036	\$763,344	\$972,247	\$1,117,688
Contractually required contribution - OPEB (1)	0	0	21,967	22,760	0	0	0	0	0	0
Contractually required contribution - total	589,340	591,936	615,063	637,272	648,845	647,102	783,036	763,344	972,247	1,117,688
Contributions in relation to the contractually required contribution	589,340	591,936	615,063	637,272	648,845	647,102	783,036	763,344	972,247	1,117,688
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157	\$5,593,114	\$5,452,457	\$6,944,621	\$7,983,486
Contributions as a percentage of covered payroll - pension	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See accompanying notes to the required supplementary information.

Chillicothe City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2016 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2025.

Changes in assumptions

There were no changes in assumptions for fiscal years 2016 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.5 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.5 percent to 3.0 percent.
- Updated the health and disability mortality assumption 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.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Investment rate of return and discount rate of return assumptions were lowered from 7.45 percent to 7.0 percent.

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.
- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

There were no changes in assumptions for fiscal years 2024 or 2025.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.

Chillicothe City School District
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For the Fiscal Year Ended June 30, 2025

- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

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

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

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

There were no changes to benefit terms for fiscal years 2023 through 2025.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.

Chillicothe City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
 - Medical Medicare – 5 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – 6 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – -5.23 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – 8 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from -5.23 percent to 9.62 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from 8 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from 7.73 percent to 6.5 initial, 4 percent ultimate

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from 7.45 percent to 7.0 percent.
- The health care trend assumption rate changed as follows:
 - Medical Medicare – from -6.69 percent initial, 4 percent ultimate to -16.18 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 11.87 percent initial, 4 percent ultimate to 29.98 percent initial, 4 percent ultimate

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Pre-Medicare – from 5.00 percent initial, 4 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
 - Medical Medicare – from -16.18 percent initial, 4 percent ultimate to -68.78 percent initial, 3.94 percent ultimate
 - Prescription Drug Pre-Medicare – from 6.50 percent initial, 4 percent ultimate to 9.00 percent initial, 3.94 percent ultimate
 - Prescription Drug Medicare – from 29.98 percent initial, 4 percent ultimate to -5.47 percent initial, 3.94 percent ultimate
- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

Chillicothe City School District
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- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Pre-Medicare – from 7.50 percent initial, 3.94 percent ultimate to 7.50 percent initial, 4.14 percent ultimate
 - Medical Medicare – from -68.78 percent initial, 3.94 percent ultimate to -10.94 percent initial, 4.14 percent ultimate
 - Prescription Drug Pre-Medicare – from 9.00 percent initial, 3.94 percent ultimate to -11.95 percent initial, 4.14 percent ultimate
 - Prescription Drug Medicare – from -5.47 percent initial, 3.94 percent ultimate to 1.33 percent initial, 4.14 percent ultimate

For fiscal year 2025, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Pre-Medicare – from 7.50 percent initial, 4.14 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
 - Medical Medicare – from -10.94 percent initial, 4.14 percent ultimate to -112.22 percent initial, 3.94 percent ultimate
 - Prescription Drug Pre-Medicare – from -11.95 percent initial, 4.14 percent ultimate to 8.00 percent initial, 3.94 percent ultimate
 - Prescription Drug Medicare – from 1.33 percent initial, 4.14 percent ultimate to -15.14 percent initial, 3.94 percent ultimate

School Employees Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2016 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- 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 2.5 percent with a floor of 0 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 calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.5 percent to 2.0 percent.

Chillicothe City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

For fiscal year 2023, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.0 percent to 2.5 percent.

There were no changes to benefit terms for fiscal years 2024 or 2025.

Changes in assumptions

There were no changes in assumptions for fiscal years 2016 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll Growth Assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Investment rate of return was reduced from 7.75 percent to 7.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - 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 member was updated to the following:
 - 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.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.0 percent to 2.4 percent
- Payroll Growth Assumption was reduced from 3.5 percent to 3.25 percent
- Investment rate of return was reduced from 7.5 percent to 7.0 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among members was updated to the following:
 - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
 - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

There were no changes in assumptions for fiscal years 2023 through 2025.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2025.

Chillicothe City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll growth assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - 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 the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63 percent.
- The municipal bond index rate increased from 2.92 percent to 3.56 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98 percent to 3.63 percent.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
 - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
 - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

Chillicothe City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate of return decreased from 7.5 percent to 7.0 percent.
- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2020 – 5.25 to 4.75 percent, 2022 – 5.125 to 4.4 percent
 - Pre-Medicare – 2020 – 7 to 4.75 percent, 2022 – 6.75 to 4.4 percent
- Mortality among members was updated to the following:
 - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
 - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 1.92 percent to 3.69 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.27 percent to 4.08 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 3.69 percent to 3.86 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 4.08 percent to 4.27 percent.
- The medical trend assumption decreased from 7.00 percent to 6.75 percent.

For fiscal year 2025, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 3.86 percent to 3.93 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 4.27 percent to 4.88 percent.
- The medical trend assumption increased from 6.75 percent to 7.00 percent.

Chillicothe City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>United States Department of Agriculture</u>				
<i>Passed through the Ohio Department of Education and Workforce</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$0	\$491,191
National School Lunch Program	10.555	N/A	0	1,251,502
National School Lunch Program-Non-Cash Assistance	10.555	N/A	0	116,619
Total Child Nutrition Cluster			0	1,859,312
Total United States Department of Agriculture			0	1,859,312
<u>United States Department of Treasury</u>				
<i>Passed through the Appalachian Children Coalition</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	0	43,098
<i>Passed through the Ohio Facilities Construction Commission</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SCV3	0	57,359
Total Coronavirus State and Local Fiscal Recovery Funds			0	100,457
Total United States Department of Treasury			0	100,457
<u>United States Department of Education</u>				
<i>Passed through the Ohio Department of Education and Workforce</i>				
Title I Grants to Local Educational Agencies	84.010	N/A	0	1,695,034
Title I Grants to Local Educational Agencies-School Improvement	84.010	N/A	0	56,465
Total Title I Grants to Local Educational Agencies			0	1,751,499
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	N/A	0	778,755
Special Education Preschool Grants	84.173	N/A	0	17,875
Total Special Education Cluster (IDEA)			0	796,630
Rural Education	84.358	N/A	0	100,332
English Language Acquisition State Grants	84.365	N/A	3,612	3,612
Supporting Effective Instruction State Grants	84.367	N/A	0	145,444
Student Support and Academic Enrichment Program	84.424	N/A	0	122,460
COVID-19 Education Stabilization Fund-ESSER ARP	84.425U	N/A	0	1,259,041
COVID-19 Education Stabilization Fund-ARP Homeless Round II	84.425W	N/A	0	17,886
Total COVID-19 Education Stabilization Fund			0	1,276,927
Total United States Department of Education			3,612	4,196,904
Total Federal Financial Assistance			\$3,612	\$6,156,673

N/A - pass through entity number not available.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Chillicothe City School District
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Chillicothe City School District (the School District) under programs of the federal government for the year ended June 30, 2025. The information in 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 – 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 the Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note 3 – Indirect Cost Rate

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

Note 4 – Subrecipients

The School District passes certain federal awards received from the Ohio Department of Education and Workforce (DEW) to another government (subrecipient). As note 2 describes, the School District reports expenditures of federal awards to subrecipients when paid in cash.

As a pass-through entity, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by law, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

Note 5 – Child Nutrition Cluster

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

Note 6 – Food Donation Program

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

Note 7 – Transfers Between Program Years

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program.

Chillicothe City School District
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2025

The School District transferred the following amounts from 2025 to 2026 programs:

Program Title	ALN	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$174,635
Supporting Effective Instruction State Grants	84.367	170,806
Student Support and Academic Enrichment Program	84.424	30,886
Rural Education	84.358	1
Special Education Grants to States	84.027	10,932
Special Education Preschool Grants	84.173	200
Total		<u>\$387,460</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Members of the Board
Chillicothe City School District
425 Yoctangee Parkway
Chillicothe, Ohio 45601

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio (the School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 26, 2026, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, and restated beginning net position as a result.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Chillicothe City School District

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Report on Compliance and Other Matters

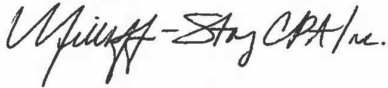
As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

March 26, 2026

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Board
Chillicothe City School District
425 Yoctangee Parkway
Chillicothe, Ohio 45601

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chillicothe City School District, Ross County, Ohio (the School District) with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2025. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

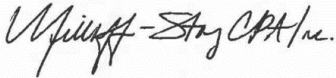
Chillicothe City School District

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the
Uniform Guidance

Page 3

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Millhuff-Stang CPA, Inc." The signature is written in a cursive, flowing style.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

March 26, 2026

Chillicothe City School District
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
For the Fiscal Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program(s):	Title I Grants to Local Educational Agencies, AL #84.010
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2025-001 - Noncompliance – 412 Certificates

Ohio Revised Code Section 5705.412 states in part that no school district shall adopt any appropriation measure, make any qualifying contract, or increase any wage or salary schedule unless a certificate (412 certificate) is attached that certifies the school district has adequate revenues sufficient to maintain all personnel and programs. Several qualifying contracts were identified during the audit period; however, the School District was unable to provide certificates for audit review. The School District should ensure that 412 certificates be executed for all appropriation measures, increased salary or wage schedules, and qualifying contracts (including negotiated agreements and contracts for benefits) and retain such certificates as official record.

Client response:

See accompanying corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None



*Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2025*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
Finding 2025-001	The District will implement procedures to ensure all required 5705.412 certificates are prepared and retained for qualifying contracts, appropriations, and compensation changes. A compliance checklist will be utilized prior to Board action.	June 30, 2026	Nick Overly, Treasurer

Deborah Swinehart, Superintendent

Nicolas Overly, Treasurer



Chillicothe City School District
Schedule of Prior Audit Findings
2 CFR Section 200.0511(b)
For the Fiscal Year Ended June 30, 2025

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2024-001	Noncompliance – Competitive Bidding	Yes	

Deborah Swinehart, Superintendent

Nicolas Overly, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



CHILLICOTHE CITY 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 6/16/2026

65 East State 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