

CHILlicothe CITY SCHOOL DISTRICT  
ROSS COUNTY  
SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of Chillicothe City School District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2021 through June 30, 2022. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

**Finding for Recovery – Repaid Under Audit - Late Payments**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper “Public Purpose” states that the purpose is manifestly arbitrary and incorrect.

During fiscal year 2022, the Chillicothe City School District was assessed late fees and interest charges for late payments of credit cards.

The following table details the late penalties and interest:

Late Fees and Interest	FY 2022
US Bank Credit Card	\$ 6,931
Vinton County Bank Credit Card	33
Total	\$6,964

The payment of late fees and penalties due to the inability of the Treasurer to make timely payment is not a proper public purpose.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010). Deborah Lawwell was responsible for the \$6,964 in late fees and interest being incurred.

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In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Deborah Lawwell, Former Treasurer in favor of Chillicothe City School District's General Fund.

On July 12, 2023, Deborah Lawwell repaid \$6,964 to the Chillicothe City School District's General Fund.

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. Chillicothe City School District is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

**July 25, 2023**

**Chillicothe City School District**  
**Ross County**  
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*For the Fiscal Year Ended June 30, 2022*

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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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison of the General Fund and the ESSER Fund thereof 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 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. We did not modify our opinion regarding 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 GAAS, 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.



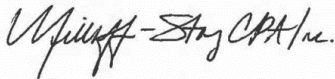
We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 GAAS. 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 30, 2023 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 30, 2023

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

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**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, 2022. 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, 2022 by \$8,592,486.
- The School District's net position of governmental activities increased \$2,710,266. Net position of business-type activities decreased \$2,057.
- General revenues accounted for \$29,057,796 or 71 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,136,430 or 29 percent of total revenues of \$41,194,226.
- The School District had \$38,370,055 in expenses related to governmental activities; only \$12,136,430 of these expenses were offset by program specific charges for services and sales, operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,992,470 and beginning net position 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, ESSER Special Revenue 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, 2022*  
*(Unaudited)*

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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, ESSER Special Revenue Fund, and Debt Service Funds.

**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.

## **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 2022 compared to 2021.

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021	2022	2021*
	<b>Assets:</b>					
Current and Other Assets	\$35,529,474	\$35,508,383	\$5,285	(\$19,024)	\$35,534,759	\$35,489,359
Capital Assets, Net	72,751,286	74,453,519	0	0	72,751,286	74,453,519
<b>Total Assets</b>	<b>108,280,760</b>	<b>109,961,902</b>	<b>5,285</b>	<b>(19,024)</b>	<b>108,286,045</b>	<b>109,942,878</b>
<b>Deferred Outflows of Resources</b>						
	8,129,673	6,925,836	103,761	0	8,233,434	6,925,836
<b>Liabilities:</b>						
Current and Other Liabilities	5,321,192	5,052,168	5,329	2,226	5,326,521	5,054,394
Long-Term Liabilities	68,640,349	87,769,448	78,868	0	68,719,217	87,769,448
<b>Total Liabilities</b>	<b>73,961,541</b>	<b>92,821,616</b>	<b>84,197</b>	<b>2,226</b>	<b>74,045,738</b>	<b>92,823,842</b>
<b>Deferred Inflows of Resources</b>						
	33,833,099	18,160,595	48,156	0	33,881,255	18,160,595
<b>Net Position:</b>						
Net Investment in Capital Assets	32,811,323	32,139,493	0	0	32,811,323	32,139,493
Restricted	4,153,439	7,101,981	0	0	4,153,439	7,101,981
Unrestricted (Deficit)	(28,348,969)	(33,335,947)	(23,307)	(21,250)	(28,372,276)	(33,357,197)
<b>Total Net Position</b>	<b>\$8,615,793</b>	<b>\$5,905,527</b>	<b>(\$23,307)</b>	<b>(\$21,250)</b>	<b>\$8,592,486</b>	<b>\$5,884,277</b>

\* As restated. See note 22 of the notes to the basic financial statements for additional information.

The increase of \$45,400 in current and other assets is primarily due to increases in intergovernmental and taxes receivable, which were partially offset by a decrease in cash and cash equivalents and cash and cash equivalents with fiscal agents. The decrease of \$1,702,233 in capital assets, net is due to current year depreciation expense exceeding current year additions. Deferred outflows of resources increased \$1,307,598 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 increased \$272,127 due to an increase in accrued wages and benefits payable, intergovernmental payable, and claims payable. The decrease of \$19,050,231 in long-term liabilities is due to decreases in long term debt obligation reduced by principal payments and net pension and OPEB liabilities. Deferred inflows of resources increased by \$15,720,660 due to actuarially determined changes related to the School District's proportionate share of the state-wide net pension and OPEB liabilities (assets).

Table 2 shows the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)

Table 2  
Net Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
	<b>Revenues</b>					
<b>Program Revenues:</b>						
Charges for Services and Sales	\$784,224	\$2,269,958	\$0	\$3,538	\$784,224	\$2,273,496
Operating Grants, Contributions, and Interest	11,351,081	8,822,398	0	0	11,351,081	8,822,398
Capital Grants, Contributions, and Interest	1,125	1,837	0	0	1,125	1,837
<b>Total Program Revenues</b>	<b>12,136,430</b>	<b>11,094,193</b>	<b>0</b>	<b>3,538</b>	<b>12,136,430</b>	<b>11,097,731</b>
<b>General Revenues</b>						
Property Taxes and Payments in Lieu	14,219,681	14,140,930	0	0	14,219,681	14,140,930
Unrestricted Grants and Entitlements	14,364,845	17,361,234	0	0	14,364,845	17,361,234
Gain on Sale of Assets	162,249	249,715	0	0	162,249	249,715
Investment Earnings	10,416	43,940	14	8	10,430	43,948
Insurance Recoveries	0	1,208	0	0	0	1,208
Miscellaneous	235,279	476,079	65,312	15,485	300,591	491,564
<b>Total General Revenues</b>	<b>28,992,470</b>	<b>32,273,106</b>	<b>65,326</b>	<b>15,493</b>	<b>29,057,796</b>	<b>32,288,599</b>
<b>Total Revenues</b>	<b>41,128,900</b>	<b>43,367,299</b>	<b>65,326</b>	<b>19,031</b>	<b>41,194,226</b>	<b>43,386,330</b>
<b>Program Expenses</b>						
<b>Instruction</b>						
Regular	15,048,692	16,916,529	0	0	15,048,692	16,916,529
Special	6,297,316	5,154,937	0	0	6,297,316	5,154,937
Vocational	113,496	68,626	0	0	113,496	68,626
Other	430,896	6,029,117	0	0	430,896	6,029,117
<b>Support Services</b>						
Pupils	2,138,989	2,342,313	0	0	2,138,989	2,342,313
Instructional Staff	807,228	1,011,825	0	0	807,228	1,011,825
Board of Education	133,400	85,476	0	0	133,400	85,476
Administration	2,451,459	2,424,138	0	0	2,451,459	2,424,138
Fiscal and Business	880,580	905,619	0	0	880,580	905,619
Operation and Maintenance of Plant	3,427,078	3,676,241	0	0	3,427,078	3,676,241
Pupil Transportation	1,475,457	1,529,148	0	0	1,475,457	1,529,148
Central	557,585	489,958	0	0	557,585	489,958
Operation of Non-Instructional Services	1,763,694	1,842,668	0	0	1,763,694	1,842,668
Extracurricular Activities	818,744	996,953	0	0	818,744	996,953
Interest and Fiscal Charges	1,975,441	1,632,358	0	0	1,975,441	1,632,358
Issuance Costs	50,000	0	0	0	50,000	0
Cavalier Athletic Center	0	0	115,962	29,965	115,962	29,965
<b>Total Expenses</b>	<b>38,370,055</b>	<b>45,105,906</b>	<b>115,962</b>	<b>29,965</b>	<b>38,486,017</b>	<b>45,135,871</b>
Transfers	(48,579)	0	48,579	0	0	0
<b>Change in Net Position</b>						
Net Position at Beginning of Year-Restated	2,710,266	(1,738,607)	(2,057)	(10,934)	2,708,209	(1,749,541)
Year-Restated	5,905,527	N/A	(21,250)	(10,316)	5,884,277	N/A
<b>Net Position at End of Year</b>	<b>\$8,615,793</b>	<b>\$5,905,527</b>	<b>(\$23,307)</b>	<b>(\$21,250)</b>	<b>\$8,592,486</b>	<b>\$5,884,277</b>

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

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**Governmental Activities**

Operating grants and contributions increased \$2,528,683 due COVID-related federal grants received in the fiscal year. Unrestricted grants and entitlements decreased \$2,996,389 due to the change in the State funding formula.

Various expense functions decreased due to the decrease in pension and OPEB expenses, which were recognized as a gain in the amount of \$859,349, compared to an expense of \$4,085,671 for the prior fiscal year. These expenses are allocated amongst the various expense functions with instruction receiving the largest allocations. This resulted in a decrease in total expenses of \$4,945,020. In addition, other instruction decreased significantly due to expenses previously recognized in the prior year related to the former state funding model that were not similarly recognized for the current year. These decreases were partially offset by increased expenses in the ESSER program.

**Governmental Activities**

Property taxes comprised 35 percent of revenue for governmental activities of the School District for fiscal year 2022. Grants and entitlements not restricted comprised 35 percent of revenue for governmental activities during 2022. Operating grants, contributions, and interest comprised 28 percent of revenue for governmental activities during 2022.

As indicated by governmental program expenses, instruction is emphasized. Total instruction comprised 57 percent of governmental program expenses with support services comprising 31 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 2022 as compared to 2021. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$21,890,400	\$14,620,574	\$28,169,209	\$21,543,575
Support Services	11,871,776	9,250,464	12,464,718	9,749,407
Operation of Non-Instructional Services	1,763,694	(336,403)	1,842,668	234,010
Extracurricular Activities	818,744	673,549	996,953	852,363
Interest and Fiscal Charges	1,975,441	1,975,441	1,632,358	1,632,358
Issuance Costs	50,000	50,000	0	0
<b>Total Expenses</b>	<b>\$38,370,055</b>	<b>\$26,233,625</b>	<b>\$45,105,906</b>	<b>\$34,011,713</b>

**Business-Type Activities**

Business-type activity is comprised of an athletic complex that the School District operates. Miscellaneous revenues and operating expenses increased during the current fiscal year. The School District experienced increased activity for the program.

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

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**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 \$43,138,644 and expenditures and other financing uses of \$44,000,402. The net change in fund balance for the year was significant in the General Fund.

The fund balance of the General Fund decreased in the amount of \$933,705 due to expenditures in excess of revenues. Intergovernmental revenues decreased due to the change in the state foundation funding model. There was a corresponding decrease in expenditures.

The fund balance of the Debt Service Fund decreased in the amount of \$231,869. The decrease in fund balance is primarily due principal and interest payments exceeding the tax monies collected.

The fund balance of the ESSER Fund increased in the amount of \$165,354. The increase in fund balance is primarily due to revenues exceeding expenditures.

**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 2022, there were revisions to the General Fund budget. Original budgeted amounts for intergovernmental increased while tuition and fees decreased due primarily to the change in the State funding formula. Original budget appropriations decreased primarily to the School District's conservative budgeting. 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 the final budget. The School District's ending unobligated fund balance was \$6,130,083.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Table 4 shows the fiscal year 2022 balances compared to 2021.

Table 4  
 Capital Assets  
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2022	2021*
Land and Improvements	\$1,702,077	\$1,770,268
Buildings and Improvements	67,779,393	69,893,571
Furniture and Equipment	2,269,901	1,846,648
Vehicles	809,329	727,986
Intangible Right to Use Leased Asset	190,586	215,046
Totals	\$72,751,286	\$74,453,519

\*Amount restated, see note 22 for additional information.

**Chillicothe City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

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

**Debt**

At June 30, 2022, the School District had \$44,055,958 in bonds, bond anticipation notes, financed purchases, and leases payable outstanding with \$2,437,329 due within one year. Table 5 summarizes the bonds, notes, and capital leases outstanding:

Table 5  
 Outstanding Debt at Year End

	2022	2021*
Governmental Activities		
2007 General Obligation Refunding Bonds	\$4,467,035	\$3,765,385
2009 General Obligation Bond	0	40,000
2016 School Facilities Bond	20,499,128	20,853,835
2016 Refunding Bonds	17,671,230	19,485,008
2016 PI Tax Anticipation Notes	1,092,927	1,344,909
Financed Purchases	129,717	393,456
Leases Payable	195,921	216,144
Totals	\$44,055,958	\$46,098,737

\*Amount restated, see note 22 for additional information.

The School District's overall legal debt margin was \$8,336,388 and the unvoted debt margin was \$460,169 at June 30, 2022. Detailed information regarding long-term and other debt is included in the notes to the basic financial statements (note 13).

**Current Financial Related Activities**

Chillicothe City School District has struggled financially for several years. This is mainly due to the tangible personal property tax loss. The tax loss hit the School District hard. We passed a 5-year emergency operating levy in May of 2013. The new emergency operating levy and the increase in the state funding of 7 ½% has helped stabilize the School District's finances. ESSER monies received have also allowed the School District to save General Fund monies and stabilize the cash balance for a couple of years.

The School District still struggles with open enrollment but the trend is starting to reduce due to the number of students coming into our School District. The outlook of the School District has stability.

**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 Claudia Zaler, Treasurer, Chillicothe City School District, 425 Yoctangee Parkway, Chillicothe, Ohio 45601.



**Chillicothe City School District**  
*Statement of Net Position*  
*As of June 30, 2022*

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$14,857,564	\$12,596	\$14,870,160
Cash and Cash Equivalents in Segregated Accounts	11,469	0	\$11,469
Cash and Cash Equivalents with Fiscal Agents	1,153,925	0	\$1,153,925
Accrued Interest Receivable	591	0	591
Accounts Receivable	19,021	0	19,021
Internal Balances	7,311	(7,311)	0
Intergovernmental Receivable	1,354,198	0	1,354,198
Taxes Receivable	15,818,709	0	15,818,709
Non-Depreciable Capital Assets	607,140	0	607,140
Depreciable Capital Assets, net	72,144,146	0	72,144,146
Net OPEB Asset	2,306,686	0	2,306,686
<i>Total Assets</i>	108,280,760	5,285	108,286,045
<b>Deferred Outflows of Resources:</b>			
Pension	7,234,268	61,600	7,295,868
OPEB	895,405	42,161	937,566
<i>Total Deferred Outflows of Resources</i>	8,129,673	103,761	8,233,434
<b>Liabilities:</b>			
Accounts Payable	178,960	205	179,165
Accrued Wages and Benefits	3,768,102	3,681	3,771,783
Contracts Payable	31,040	0	31,040
Intergovernmental Payable	559,266	1,443	560,709
Accrued Interest Payable	101,453	0	101,453
Claims Payable	682,371	0	682,371
Long-Term Liabilities:			
Due Within One Year	2,636,607	0	2,636,607
Due in More Than One Year	44,332,779	0	44,332,779
Net Pension Liability	19,028,819	51,482	19,080,301
Net OPEB Liability	2,642,144	27,386	2,669,530
<i>Total Liabilities</i>	73,961,541	84,197	74,045,738
<b>Deferred Inflows of Resources:</b>			
Property Taxes not Levied to Finance Current Year Operations	13,981,669	0	13,981,669
Pension	15,408,723	28,566	15,437,289
OPEB	4,442,707	19,590	4,462,297
<i>Total Deferred Inflows of Resources</i>	33,833,099	48,156	33,881,255
<b>Net Position:</b>			
Net Investment in Capital Assets	32,811,323	0	32,811,323
Restricted for Capital Outlay	2,178,301	0	2,178,301
Restricted for Other Purposes	1,513,056	0	1,513,056
Restricted for Permanent Fund:			
Non-Expendable	450,000	0	450,000
Expendable	12,082	0	12,082
Unrestricted (Deficit)	(28,348,969)	(23,307)	(28,372,276)
<i>Total Net Position</i>	<u>\$8,615,793</u>	<u>(\$23,307)</u>	<u>\$8,592,486</u>

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, 2022

	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
<b>Governmental Activities</b>							
Instruction:							
Regular	\$15,048,692	\$280,090	\$2,561,641	\$0	(\$12,206,961)	\$0	(\$12,206,961)
Special	6,297,316	114,628	3,900,289	0	(2,282,399)	0	(2,282,399)
Vocational	113,496	1,273	135,891	0	23,668	0	23,668
Other	430,896	5,353	270,661	0	(154,882)	0	(154,882)
Support Services:							
Pupils	2,138,989	35,883	1,081,028	0	(1,022,078)	0	(1,022,078)
Instructional Staff	807,228	6,108	378,488	0	(422,632)	0	(422,632)
Board of Education	133,400	2,800	0	0	(130,600)	0	(130,600)
Administration	2,451,459	52,622	191,782	0	(2,207,055)	0	(2,207,055)
Fiscal	776,584	13,990	0	0	(762,594)	0	(762,594)
Business	103,996	82	0	0	(103,914)	0	(103,914)
Operation and Maintenance of Plant	3,427,078	56,293	733,504	1,125	(2,636,156)	0	(2,636,156)
Pupil Transportation	1,475,457	28,065	5,905	0	(1,441,487)	0	(1,441,487)
Central	557,585	10,944	22,693	0	(523,948)	0	(523,948)
Operation of Non-Instructional Services	1,763,694	35,455	2,064,642	0	336,403	0	336,403
Extracurricular Activities	818,744	140,638	4,557	0	(673,549)	0	(673,549)
Interest and Fiscal Charges	1,975,441	0	0	0	(1,975,441)	0	(1,975,441)
Issuance Costs	50,000	0	0	0	(50,000)	0	(50,000)
<i>Total Governmental Activities</i>	<u>38,370,055</u>	<u>784,224</u>	<u>11,351,081</u>	<u>1,125</u>	<u>(26,233,625)</u>	<u>0</u>	<u>(26,233,625)</u>
<b>Business-Type Activities</b>							
Cavalier Athletic Center	115,962	0	0	0	0	(115,962)	(115,962)
<i>Total</i>	<u>\$38,486,017</u>	<u>\$784,224</u>	<u>\$11,351,081</u>	<u>\$1,125</u>	<u>(26,233,625)</u>	<u>(115,962)</u>	<u>(26,349,587)</u>
<b>General Revenues and Transfers:</b>							
Property Taxes Levied for:							
				10,547,622	0	10,547,622	
				2,832,090	0	2,832,090	
				839,969	0	839,969	
Grants and Entitlements not							
				14,364,845	0	14,364,845	
				162,249	0	162,249	
				10,416	14	10,430	
				235,279	65,312	300,591	
				(48,579)	48,579	0	
<i>Total General Revenues and Transfers</i>				<u>28,943,891</u>	<u>113,905</u>	<u>29,057,796</u>	
<i>Change in Net Position</i>				<u>2,710,266</u>	<u>(2,057)</u>	<u>2,708,209</u>	
<i>Net Position Beginning of Year - Restated</i>				<u>5,905,527</u>	<u>(21,250)</u>	<u>5,884,277</u>	
<i>Net Position End of Year</i>				<u>\$8,615,793</u>	<u>(\$23,307)</u>	<u>\$8,592,486</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, 2022*

	General Fund	Debt Service Fund	ESSER Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$7,181,985	\$2,190,639	\$849,258	\$4,635,682	\$14,857,564
Cash and Cash Equivalents in Segregated Accounts	0	0		11,469	11,469
Accrued Interest Receivable	591	0	0	0	591
Accounts Receivable	3,996	0	0	15,025	19,021
Interfund Receivable	1,178,480	0	0	0	1,178,480
Intergovernmental Receivable	205,399	0	542,473	606,326	1,354,198
Taxes Receivable	11,916,628	3,033,368	0	868,713	15,818,709
<i>Total Assets</i>	<u>\$20,487,079</u>	<u>\$5,224,007</u>	<u>\$1,391,731</u>	<u>\$6,137,215</u>	<u>\$33,240,032</u>
<b>Liabilities:</b>					
Accounts Payable	\$99,493	\$0	\$19,085	\$60,382	\$178,960
Accrued Wages and Benefits	2,836,894	0	379,736	551,472	3,768,102
Contracts Payable	0	0	0	31,040	31,040
Interfund Payable	0	0	946,645	224,524	1,171,169
Intergovernmental Payable	456,988	0	46,267	56,011	559,266
<i>Total Liabilities</i>	3,393,375	0	1,391,733	923,429	5,708,537
<b>Deferred Inflows of Resources:</b>					
Property Taxes Not Levied for Current Year Operations	10,572,443	2,653,361	0	755,865	13,981,669
Unavailable Revenue	427,115	124,424	150,636	251,446	953,621
<i>Total Deferred Inflows of Resources</i>	10,999,558	2,777,785	150,636	1,007,311	14,935,290
<b>Fund Balances:</b>					
Nonspendable	4,805	0	0	450,000	454,805
Restricted	0	2,446,222	0	3,719,838	6,166,060
Committed	169,345	0	0	240,168	409,513
Assigned	1,367,710	0	0	0	1,367,710
Unassigned (Deficit)	4,552,286	0	(150,638)	(203,531)	4,198,117
<i>Total Fund Balances</i>	<u>6,094,146</u>	<u>2,446,222</u>	<u>(150,638)</u>	<u>4,206,475</u>	<u>12,596,205</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$20,487,079</u>	<u>\$5,224,007</u>	<u>\$1,391,731</u>	<u>\$6,137,215</u>	<u>\$33,240,032</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, 2022*

<b>Total Governmental Fund Balances</b>	\$12,596,205
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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.	72,751,286
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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	583,970	
Customer Sales and Service	12,287	
Miscellaneous	6,156	
Intergovernmental	351,208	
Total	953,621	953,621

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

Deferred Outflows-Pension	7,234,268	
Deferred Outflows-OPEB	895,405	
Deferred Inflows-Pension	(15,408,723)	
Deferred Inflows-OPEB	(4,442,707)	
Net Pension Liability	(19,028,819)	
Net OPEB Asset	2,306,686	
Net OPEB Liability	(2,642,144)	
Total	(31,086,034)	(31,086,034)

Long-term liabilities, including bonds and related liabilities, notes, financed purchases, leases, 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.

Accrued Interest Payable	(101,453)	
Compensated Absences	(2,913,428)	
Financed Purchases	(129,717)	
Leases Payable	(195,921)	
Refunding Bonds	(15,890,000)	
Capital Appreciation Bonds	(4,467,035)	
School Facilities Bonds	(19,315,000)	
Tax Anticipation Notes	(1,065,000)	
Premiums on Bonds	(2,965,358)	
Premiums on Bond Anticipation Notes	(27,927)	
Total	(47,070,839)	(47,070,839)

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.

471,554

<b>Net Position of Governmental Activities</b>	<u><u>\$8,615,793</u></u>
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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, 2022*

	General Fund	Debt Service Fund	ESSER Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property and Other Local Taxes	\$10,553,972	\$2,834,436	\$0	\$840,334	\$14,228,742
Intergovernmental	15,948,840	385,537	4,514,656	4,921,968	25,771,001
Interest	32,166	0	0	2,734	34,900
Increase (Decrease) in Fair Value of Investments	(29,647)	0	0	(400)	(30,047)
Tuition and Fees	488,242	0	0	29,110	517,352
Rent	61,305	0	0	0	61,305
Extracurricular Activities	47,388	0	0	126,777	174,165
Gifts and Donations	13,622	0	0	20,022	33,644
Customer Sales and Services	19,325	0	0	22,858	42,183
Miscellaneous	128,786	0	0	111,291	240,077
<i>Total Revenues</i>	<u>27,263,999</u>	<u>3,219,973</u>	<u>4,514,656</u>	<u>6,074,694</u>	<u>41,073,322</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	12,048,119	0	1,562,443	591,965	14,202,527
Special	4,610,661	0	597,795	1,626,433	6,834,889
Vocational	60,745	0	0	44,120	104,865
Other	259,512	0	203,842	0	463,354
Support Services:					
Pupils	1,753,314	0	430,081	185,508	2,368,903
Instructional Staff	273,371	0	65,019	474,648	813,038
Board of Education	135,747	0	0	0	135,747
Administration	2,591,828	0	128,330	23,350	2,743,508
Fiscal	882,358	62,027	0	19,904	964,289
Business	3,999	0	0	100,050	104,049
Operation and Maintenance of Plant	2,722,972	0	486,540	272,585	3,482,097
Pupil Transportation	1,344,138	0	3,759	10,910	1,358,807
Central	525,195	0	17,091	0	542,286
Operation of Non-Instructional Services	9,152	0	18,656	1,761,801	1,789,609
Extracurricular Activities	621,988	0	0	187,233	809,221
Capital Outlay	122,343	0	835,746	302,619	1,260,708
Debt Service:					
Principal	45,199	2,230,000	0	313,739	2,588,938
Interest and Fiscal Charges	11,744	1,488,200	0	6,947	1,506,891
Issuance Costs	0	0	0	50,000	50,000
<i>Total Expenditures</i>	<u>28,022,385</u>	<u>3,780,227</u>	<u>4,349,302</u>	<u>5,971,812</u>	<u>42,123,726</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(758,386)	(560,254)	165,354	102,882	(1,050,404)
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	328,385	0	1,499,712	1,828,097
Proceeds from Sale of Assets	0	0	0	162,249	162,249
Inception of Leases	24,976	0	0	50,000	74,976
Transfers Out	(200,295)	0	0	(1,676,381)	(1,876,676)
<i>Total Other Financing Sources (Uses)</i>	<u>(175,319)</u>	<u>328,385</u>	<u>0</u>	<u>35,580</u>	<u>188,646</u>
<i>Net Change in Fund Balances</i>	(933,705)	(231,869)	165,354	138,462	(861,758)
<i>Fund Balances at Beginning of Year</i>	<u>7,027,851</u>	<u>2,678,091</u>	<u>(315,992)</u>	<u>4,068,013</u>	<u>13,457,963</u>
<i>Fund Balances at End of Year</i>	<u>\$6,094,146</u>	<u>\$2,446,222</u>	<u>(\$150,638)</u>	<u>\$4,206,475</u>	<u>\$12,596,205</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, 2022*

**Net Change in Fund Balances - Total Governmental Funds** (S861,758)

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

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

Capital Asset Additions	1,260,708	
Current Year Depreciation	(2,962,941)	
Total	(1,702,233)	(1,702,233)

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

Taxes	(9,061)	
Customer Sales and Service	(3,682)	
Tuition and Fees	(8,239)	
Miscellaneous	6,156	
Intergovernmental	(99,743)	
Total	(114,569)	(114,569)

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

Pension	2,807,880	
OPEB	96,445	
Total	2,904,325	2,904,325

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

Pension	656,443	
OPEB	202,906	
Total	859,349	859,349

Repayments of bond, note, financed purchase, and lease 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. 2,588,938

The inception of leases in governmental funds increase long-term liabilities on the statement of net position but are not reported as revenues on the statement of activities. (74,976)

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

Premium	230,467	
Annual Accretion of Capital Appreciation Bonds	(701,650)	
Total	(471,183)	(471,183)

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.

Decrease in Compensated Absences	147,476	
Decrease in Interest Payable	2,633	
Total	150,109	150,109

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. (567,736)

**Net Change in Net Position of Governmental Activities** \$2,710,266

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  
(Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$10,946,094	\$10,867,629	\$10,867,629	\$0
Intergovernmental	1,109,012	15,974,385	15,974,385	0
Interest	0	25,038	31,575	6,537
Tuition and Fees	19,416,880	486,740	486,902	162
Rent	0	58,805	61,305	2,500
Extracurricular Activities	0	17,895	18,620	725
Customer Sales and Services	0	13,651	13,651	0
Miscellaneous	0	115,718	115,718	0
<i>Total Revenues</i>	<u>31,471,986</u>	<u>27,559,861</u>	<u>27,569,785</u>	<u>9,924</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	32,875,355	12,482,614	12,482,614	0
Special	49,100	4,583,953	4,583,953	0
Vocational	1,000	64,843	64,843	0
Other	0	279,244	279,244	0
<b>Support Services:</b>				
Pupils	19,760	1,763,268	1,763,268	0
Instructional Staff	114,400	328,778	328,778	0
Board of Education	0	176,872	176,872	0
Administration	11,400	2,509,728	2,509,728	0
Fiscal	0	831,419	831,627	(208)
Business	0	6,301	6,301	0
Operation and Maintenance of Plant	222,475	2,890,749	2,890,749	0
Pupil Transportation	150,000	1,474,635	1,474,635	0
Central	0	582,231	582,231	0
Operation of Non-Instructional Services	0	9,152	9,152	0
Extracurricular Activities	13,500	617,365	617,365	0
Capital Outlay	0	94,866	94,866	0
<i>Total Expenditures</i>	<u>33,456,990</u>	<u>28,696,018</u>	<u>28,696,226</u>	<u>(208)</u>
<i>Excess of Revenues Under Expenditures</i>	(1,985,004)	(1,136,157)	(1,126,441)	9,716
<b>Other Financing Sources (Uses):</b>				
Advances In	0	607,863	607,863	0
Transfers Out	0	(422,687)	(422,687)	0
Advances Out	0	(1,179,451)	(1,179,451)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(994,275)</u>	<u>(994,275)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,985,004)	(2,130,432)	(2,120,716)	9,716
<i>Fund Balance at Beginning of Year</i>	8,157,319	8,157,319	8,157,319	0
<i>Prior Year Encumbrances Appropriated</i>	<u>93,480</u>	<u>93,480</u>	<u>93,480</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$6,265,795</u>	<u>\$6,120,367</u>	<u>\$6,130,083</u>	<u>\$9,716</u>

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*  
*(Non-GAAP Budgetary Basis)*  
*ESSER Fund*  
*For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$13,988,420	\$4,122,819	\$4,122,819	\$0
<i>Total Revenues</i>	13,988,420	4,122,819	4,122,819	0
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	10,955,187	1,389,663	1,389,663	0
Special	0	359,447	359,447	0
Other	0	203,842	203,842	0
Support Services:				
Pupils	0	363,184	363,184	0
Instructional Staff	0	80,952	80,952	0
Administration	0	115,272	115,272	0
Operation and Maintenance of Plant	0	736,577	736,577	0
Pupil Transportation	0	499,900	499,900	0
Central	0	17,091	17,091	0
Operation of Non-Instructional Services	0	5,461	5,461	0
Extracurricular Activities	0	6,392	6,392	0
Capital Outlay	0	1,079,324	1,079,324	0
<i>Total Expenditures</i>	10,955,187	4,857,105	4,857,105	0
<i>Excess of Revenues Over (Under) Expenditures</i>	3,033,233	(734,286)	(734,286)	0
<b>Other Financing Sources (Uses):</b>				
Advances In	0	946,645	946,645	0
Advances Out	0	(385,591)	(385,591)	0
<i>Total Other Financing Sources (Uses)</i>	0	561,054	561,054	0
<i>Net Change in Fund Balance</i>	3,033,233	(173,232)	(173,232)	0
<i>Fund Balance at Beginning of Year</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	173,232	173,232	173,232	0
<i>Fund Balance at End of Year</i>	\$3,206,465	\$0	\$0	\$0

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, 2022*

	Nonmajor Enterprise Fund	Governmental Activities <u>Internal Service Fund</u>
<b>Assets:</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$12,596	\$0
Cash and Cash Equivalents with Fiscal Agents	0	1,153,925
<i>Total Current Assets</i>	<u>12,596</u>	<u>1,153,925</u>
<i>Total Assets</i>	12,596	1,153,925
<b>Deferred Outflows of Resources:</b>		
Pension	61,600	0
OPEB	42,161	0
<i>Total Deferred Outflows of Resources</i>	103,761	0
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	205	0
Accrued Wages and Benefits	3,681	0
Interfund Payable	7,311	0
Intergovernmental Payable	1,443	0
Claims Payable	0	682,371
<i>Total Current Liabilities</i>	12,640	682,371
<i>Noncurrent Liabilities:</i>		
Net Pension Liability	51,482	0
Net OPEB Liability	27,386	0
<i>Total Noncurrent Liabilities</i>	<u>78,868</u>	<u>0</u>
<i>Total Liabilities</i>	91,508	682,371
<b>Deferred Inflows of Resources:</b>		
Pension	28,566	0
OPEB	19,590	0
<i>Total Deferred Inflows of Resources</i>	48,156	0
<b>Net Position:</b>		
Unrestricted (Deficit)	<u>(23,307)</u>	<u>471,554</u>
<i>Total Net Position</i>	<u><u>(\$23,307)</u></u>	<u><u>\$471,554</u></u>

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, 2022*

	Nonmajor Enterprise Fund	Governmental Activities <u>Internal Service Fund</u>
<b>Operating Revenues:</b>		
Charges for Services	\$0	\$3,865,821
Other	65,312	0
<i>Total Operating Revenues</i>	<u>65,312</u>	<u>3,865,821</u>
<b>Operating Expenses:</b>		
Salaries	36,179	0
Fringe Benefits	29,909	0
Purchased Services	38,829	1,184,715
Materials and Supplies	9,631	0
Claims	0	3,256,739
Other	1,414	0
<i>Total Operating Expenses</i>	<u>115,962</u>	<u>4,441,454</u>
<i>Operating Loss</i>	(50,650)	(575,633)
<b>Nonoperating Revenues:</b>		
Interest	14	7,897
<i>Total Nonoperating Revenues</i>	<u>14</u>	<u>7,897</u>
<i>Loss Before Transfer</i>	(50,636)	(567,736)
Transfers In	48,579	0
<i>Net Change in Net Position</i>	(2,057)	(567,736)
<i>Net Position Beginning of Year</i>	<u>(21,250)</u>	<u>1,039,290</u>
<i>Net Position End of Year</i>	<u><u>(\$23,307)</u></u>	<u><u>\$471,554</u></u>

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, 2022

	Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received for Charges for Services and Sales	\$0	\$3,865,821
Cash Paid for Personal Services	(38,235)	(3,122,371)
Cash Paid for Purchased Services	(40,316)	(1,184,715)
Cash Paid for Supplies and Materials	(9,631)	0
Cash Paid for Other Purposes	(1,414)	0
Other Cash Received	65,312	0
<i>Net Cash Flows Used by Operating Activities</i>	(24,284)	(441,265)
<b>Cash Flows from Financing Activities:</b>		
Advance Paid to General Fund	(15,756)	0
Transfers Received from General Fund	48,579	0
<i>Net Cash Flows Provided by Financing Activities</i>	32,823	0
<b>Cash Flows from Investing Activities:</b>		
Interest	14	7,897
<i>Net Cash Flows Provided by Investing Activities</i>	14	7,897
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	8,553	(433,368)
<i>Cash and Cash Equivalents at Beginning of Year</i>	4,043	1,587,293
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$12,596</u>	<u>\$1,153,925</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>		
Operating Loss	(\$50,650)	(\$575,633)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</i>		
Decrease in Accounts Payable	(1,487)	0
Increase in Accrued Wages and Benefits	3,533	0
Increase in Intergovernmental Payable	1,057	0
Increase in Claims Payable	0	134,368
Increase in Deferred Outflows of Resources	(103,761)	0
Increase in Deferred Inflows of Resources	48,156	0
Increase in Net Pension Liability	51,482	0
Increase in Net OPEB Liability	27,386	0
<i>Net Cash Used by Operating Activities</i>	<u>(\$24,284)</u>	<u>(\$441,265)</u>

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, 2022*

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	Custodial Fund
<b>Liabilities:</b>	
Intergovernmental Payable	<u>\$707</u>
<i>Total Liabilities</i>	707
<b>Net Position:</b>	
Unrestricted (Deficit)	<u>(707)</u>
<i>Total Net Position</i>	<u><u>(\$707)</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, 2022*

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	<u>Custodial Fund</u>
<b>Deductions:</b>	
Distributions as Fiscal Agent	<u>\$707</u>
<i>Total Deductions</i>	<u>707</u>
<i>Net Change in Net Position</i>	(707)
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>(\$707)</u></u>

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

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**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 154 non-certified employees, 192 certificated full-time teaching personnel and 14 administrative employees who provide services to 2,597 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, 2022*

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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 the Miami Valley Educational Computer Association, 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.

***Elementary and Secondary School Emergency Relief (ESSER) Fund***

The ESSER fund is a special revenue fund used to account for emergency relief grants to school districts related to the COVID-19 pandemic. Restrictions include, but are not limited to, providing for coordination of preparedness and response efforts, training and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

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

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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*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 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



**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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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 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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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*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.

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, other post-employment benefits, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 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, 2022. 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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Budgets**

*Budgetary Process*

All funds are legally required to be budgeted and appropriated, except for the custodial fund. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education 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 2022, investments were limited to money market accounts, U.S. treasury obligations, U.S. government agency 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 its 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.

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For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced notice is appreciated for deposits and redemptions of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$32,166. Nonmajor Governmental Funds, the Internal Service Fund, and the Nonmajor Enterprise Fund earned interest revenue of \$2,734, \$7,897, and \$14, respectively. The School District also experienced a decrease in fair value of investments of \$29,647 in the General Fund and a decrease in fair value of investments of \$400 in Nonmajor Governmental Funds.

**Capital Assets and Depreciation**

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 \$1,500. 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, 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**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it

**Chillicothe City School District**  
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is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The School District did not have any matured compensated absences payable to report at June 30, 2022.

**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, 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 consists of capital assets, net of accumulated depreciation, 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to use by grantors.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the School District's restricted net position is 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**  
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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 Premium, Discount, and Issuance Costs**

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental fund financial statements, bond issuance costs and premiums are recognized in the year paid or received.

**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, 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

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(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, 2022, the ESSER major fund had a deficit fund balance in the amount of \$150,638, while the Public School Preschool, Miscellaneous State Grants, Rural and Small Town School Districts, Title VI-B, Title I – School Improvement, Title III, Title I, Drug Free Schools, Improving Teacher Quality, and Miscellaneous Federal Grants Nonmajor Special Revenue Funds had deficit fund balances of \$14,935, \$2,432, \$2,400, \$73,787, \$5,985, \$540, \$71,157, \$13,555, \$11,856, and \$6,884, 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 utilize a self-insurance fund to account for its self-insurance program as required by Ohio Revised Code Section 9.833(C)(2).

**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 statement of revenues, expenditures and changes in fund balance – budget and actual – (non-GAAP budgetary basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

	Net Change in Fund Balance	
	General	ESSER
GAAP Basis	(\$933,705)	\$165,354
Revenue and Other		
Financing Sources Accruals	952,313	554,808
Expenditures and Other		
Financing Uses Accruals	(1,227,416)	(44,134)
Encumbrances	(845,236)	(849,260)
(Excess) Deficit of Funds Combined with		
General Fund for Reporting Purposes	(66,672)	0
Budget Basis	(\$2,120,716)	(\$173,232)

**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;
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;



**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
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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, 2022, the School District's self-insurance internal service fund had a balance of \$1,153,925 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, 2022, the School District's bank balance of \$5,480,836 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*  
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**Investments**

As of June 30, 2022, 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	\$465,079	\$465,079	\$0	\$0	5%	AAAm
Federal Home Loan Bank	458,952	0	174,662	284,290	4%	AA+
US Treasury Note	144,639	0	\$144,639	0	1%	AA+
Commercial Paper	2,641,161	2,641,161	0	0	26%	N/A
STAR Ohio	6,569,967	6,569,967	0	0	64%	AAAm
<b>Total</b>	<b>\$10,279,798</b>	<b>\$9,676,207</b>	<b>\$319,301</b>	<b>\$284,290</b>	<b>100%</b>	

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, 2022. 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.

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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1,

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*Notes to the Basic Financial Statements*  
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2021, on the assessed value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien on December 31, 2020, were levied after April 1, 2021, and are collected in 2022 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 2022 taxes were collected are:

	2021 Second-Half Collections		2022 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$412,875,340	90.74%	\$415,683,740	90.33%
Public Utility	42,123,140	9.26%	44,484,770	9.67%
Total Assessed Value	\$454,998,480	100.00%	\$460,168,510	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	\$53.20		\$53.20	

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, 2022, are available to finance fiscal year 2022 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, 2022. 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, 2022, was \$921,066 in the General Fund, \$255,583 in the Debt Service Fund and \$76,421 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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 7-RECEIVABLES**

Receivables at June 30, 2022, consisted of property taxes, accounts (rent, tuition and student fees), 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:

<i>Major Funds:</i>	
General	\$205,399
ESSER	542,473
 <i>Nonmajor Special Revenue Funds:</i>	
Early Childhood	50,496
Early Literacy	5,546
IDEA Early Childhood	14,776
Title VI-B	185,776
School Improvement	16,717
Title I	268,119
Title IV-A	24,078
Title II-A	26,996
Title V-B	13,822
<i>Total Nonmajor Funds</i>	<u>606,326</u>
<i>Total All Funds</i>	<u>\$1,354,198</u>

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*Notes to the Basic Financial Statements*  
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**NOTE 8-CAPITAL ASSETS**

Capital assets activity of the fiscal year ended June 30, 2022 was as follows:

	Ending Balance 6/30/21*	Additions	Deletions	Ending Balance 6/30/22
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$607,140	\$0	\$0	\$607,140
<b>Total Capital Assets, Not Being Depreciated</b>	<b>607,140</b>	<b>0</b>	<b>0</b>	<b>607,140</b>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	2,016,896	0	0	2,016,896
Buildings and Improvements	92,688,420	106,858	0	92,795,278
Furniture and Equipment	5,317,508	853,584	0	6,171,092
Vehicles	2,732,498	275,290	0	3,007,788
Intangible Right to Use Leased Asset	226,364	24,976	0	251,340
<b>Total Capital Assets, Being Depreciated</b>	<b>102,981,686</b>	<b>1,260,708</b>	<b>0</b>	<b>104,242,394</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(853,768)	(68,191)	0	(921,959)
Buildings and Improvements	(22,794,849)	(2,221,036)	0	(25,015,885)
Furniture and Equipment	(3,470,860)	(430,331)	0	(3,901,191)
Vehicles	(2,004,512)	(193,947)	0	(2,198,459)
Intangible Right to Use Leased Asset*	(11,318)	(49,436)	0	(60,754)
<b>Total Accumulated Depreciation</b>	<b>(29,135,307)</b>	<b>(2,962,941)</b>	<b>0</b>	<b>(32,098,248)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>73,846,379</b>	<b>(1,702,233)</b>	<b>0</b>	<b>72,144,146</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$74,453,519</b>	<b>(\$1,702,233)</b>	<b>\$0</b>	<b>\$72,751,286</b>

\*See note 22 for additional information regarding this restatement.

Of the current year depreciation total of \$2,962,941, \$49,436 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. With the implementation of Governmental Accounting Standards Board Statement No. 87, "Leases", a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

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Depreciation expense was charged to the governmental functions as follows:

Instruction:	
Regular	\$2,386,630
Special	6,198
Vocational	13,729
Support Services:	
Pupils	1,291
Instructional Staff	28,908
Administration	7,378
Fiscal	2,385
Business	96
Operation and Maintenance of Plant	129,680
Pupil Transportation	209,983
Central	22,532
Operation of Non-Instrumental Services	80,123
Extracurricular Activities	74,008
Total Depreciation Expense	\$2,962,941

**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 2022, 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:

<i>General Liability:</i>	
General Aggregate Limit	\$17,000,000
Each Occurrence	15,000,000
 <i>Employers Stop Gap Liability:</i>	
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
 <i>Educators Liability (\$5,000 Deductible):</i>	
Wrongful Act Aggregate Limit	15,000,000
Wrongful Act Each Occurrence	15,000,000
Employee Benefits Liability	15,000,000
 <i>Automobile Liability:</i>	
Bodily Injury and Property Damage – Each Occurrence	15,000,000
Uninsured/Underinsured Motorist Aggregate Limit	1,000,000
 <i>Automobile Physical Damage (\$1,000 Deductible):</i>	
Each Occurrence	Actual Cash Value
 <i>Property Insurance:</i>	
Building/Contents (\$1,000 Deductible)	350,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District reviewed its insurance coverages and made modifications where deemed appropriate.

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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 (formerly CoreSource), 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 \$682,371 reported in the internal service fund at June 30, 2022 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
2022	\$548,003	\$3,256,739	\$3,122,371	\$682,371
2021	595,516	2,723,849	2,771,362	548,003

**NOTE 10-DEFINED BENEFIT PENSION PLANS**

The State-wide 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 net pension/OPEB liability (asset) represents 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.

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

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

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

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

**School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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 0.5 percent COLA for calendar year 2021.



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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contributions to SERS were \$783,036 for fiscal year 2022. Of this amount, \$51,711 was reported as an intergovernmental payable.

**State Teachers Retirement System (STRS)**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate 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 50 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

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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 fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contributions to STRS were \$2,032,674 for fiscal year 2022. Of this amount, \$371,140 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.13800710%	0.109403642%	
Proportion of the Net Pension Liability			
Prior Measurement Date	<u>0.13885580%</u>	<u>0.108656280%</u>	
Change in Proportionate Share	<u>-0.00084870%</u>	<u>0.000747362%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,092,062	\$13,988,239	\$19,080,301
Pension Expense	(\$249,925)	(\$380,240)	(\$630,165)

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At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$489	\$432,172	\$432,661
Changes of assumptions	107,224	3,880,590	3,987,814
Changes in proportion and differences between School District contributions and proportionate share of contributions	52,693	6,990	59,683
School District contributions subsequent to the measurement date	<u>783,036</u>	<u>2,032,674</u>	<u>2,815,710</u>
Total Deferred Outflows of Resources	<u>\$943,442</u>	<u>\$6,352,426</u>	<u>\$7,295,868</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$132,058	\$87,676	\$219,734
Net difference between projected and actual earnings on pension plan investments	2,622,559	12,055,186	14,677,745
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>154,645</u>	<u>385,165</u>	<u>539,810</u>
Total Deferred Inflows of Resources	<u>\$2,909,262</u>	<u>\$12,528,027</u>	<u>\$15,437,289</u>

\$2,815,710 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$731,028)	(\$2,181,068)	(\$2,912,096)
2024	(589,310)	(1,818,939)	(2,408,249)
2025	(623,552)	(1,820,363)	(2,443,915)
2026	<u>(804,966)</u>	<u>(2,387,905)</u>	<u>(3,192,871)</u>
Total	<u>(\$2,748,856)</u>	<u>(\$8,208,275)</u>	<u>(\$10,957,131)</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

**Chillicothe City School District**  
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benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 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.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 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. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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.

**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	\$8,471,940	\$5,092,062	\$2,241,663

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 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 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, 2021 and was 7.45 percent as of June 30, 2020. 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, 2021. 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, 2021.

**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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$26,194,736	\$13,988,239	\$3,673,775

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***Changes Between the Measurement Date and the Reporting Date*** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2022, 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 2022, this amount was \$25,000. 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 2022, the School District's surcharge obligation was \$97,305.

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 for health care was \$97,305 for fiscal year 2022. Of this amount, \$97,305 was reported as an intergovernmental payable.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (gain):

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.14105230%	0.109403642%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.14423220%	0.108656280%	
Change in Proportionate Share	-0.00317990%	0.000747362%	
Proportionate Share of the Net			
OPEB Liability	\$2,669,530	\$0	\$2,669,530
Proportionate Share of the Net			
OPEB Asset	\$0	(\$2,306,686)	(\$2,306,686)
OPEB Expense (Gain)	(\$26,289)	(\$170,942)	(\$197,231)



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At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$28,455	\$82,134	\$110,589
Changes of assumptions	418,786	147,342	566,128
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	163,169	375	163,544
School District contributions subsequent to the measurement date	<u>97,305</u>	<u>0</u>	<u>97,305</u>
Total Deferred Outflows of Resources	<u>\$707,715</u>	<u>\$229,851</u>	<u>\$937,566</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$1,329,547	\$422,622	\$1,752,169
Changes of assumptions	365,569	1,376,107	1,741,676
Net difference between projected and actual earnings on OPEB plan investments	57,997	639,376	697,373
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>241,422</u>	<u>29,657</u>	<u>271,079</u>
Total Deferred Inflows of Resources	<u>\$1,994,535</u>	<u>\$2,467,762</u>	<u>\$4,462,297</u>

\$97,305 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$299,591)	(\$639,876)	(\$939,467)
2024	(299,995)	(623,882)	(923,877)
2025	(372,774)	(613,996)	(986,770)
2026	(252,684)	(271,518)	(524,202)
2027	(124,404)	(90,803)	(215,207)
Thereafter	<u>(34,677)</u>	<u>2,164</u>	<u>(32,513)</u>
Total	<u>(\$1,384,125)</u>	<u>(\$2,237,911)</u>	<u>(\$3,622,036)</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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
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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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.50 percent, net of investment expenses, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, 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.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
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The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 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 log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 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 become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 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 is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

**Chillicothe City School District**  
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	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$3,307,871	\$2,669,530	\$2,159,578

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$2,055,320	\$2,669,530	\$3,489,927

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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 CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**Chillicothe City School District**  
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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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
<b>Total</b>	<b>100.00 %</b>	

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 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 actuarial 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, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**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, 2021, 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	(\$1,946,487)	(\$2,306,686)

	1% Decrease	Current Trend Rate	1% Increase
	School District's proportionate share of the net OPEB asset	(\$2,595,387)	(\$2,306,686)

**Changes Between the Measurement Date and the Reporting Date** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**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 (formerly CoreSource), 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.

**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 2022 were as follows:

	Outstanding 6/30/21*	Additions	Deductions	Outstanding 6/30/22	Amounts Due within One Year
<i>Governmental Activities:</i>					
2007 Construction Capital Appreciation Bonds 17.7712-17.8754%	\$320,000	\$0	\$0	\$320,000	\$125,000
Accretion of Capital Appreciation Bonds	3,445,385	701,650	0	4,147,035	1,623,885
2009 School Energy Conservation Improvement Term Bonds 0%	40,000	0	(40,000)	0	0
2016 School Facilities Bonds:					
Series 2016A	11,055,000	0	(255,000)	10,800,000	260,000
Series 2016A Premium	434,349	0	(13,229)	421,120	0
Series 2016B	8,565,000	0	(50,000)	8,515,000	50,000
Series 2016B Premium	799,486	0	(36,478)	763,008	0
2016 Refunding Bonds	17,530,000	0	(1,640,000)	15,890,000	0
2016 Refunding Bonds Premium	1,955,008	0	(173,778)	1,781,230	0
Total General Obligation Bonds	44,144,228	701,650	(2,208,485)	42,637,393	2,058,885
Anticipation Notes:					
2016 PI TANs	1,310,000	0	(245,000)	1,065,000	250,000
2016 PI TANs Premium	34,909	0	(6,982)	27,927	0
	1,344,909	0	(251,982)	1,092,927	250,000
Financed Purchases	393,456	50,000	(313,739)	129,717	79,717
Leases Payable	216,144	24,976	(45,199)	195,921	48,727
Compensated Absences	3,060,904	2,123,588	(2,271,064)	2,913,428	199,278
Net Pension Liability	35,475,169	0	(16,446,350)	19,028,819	0
Net OPEB Liability	3,134,638	0	(492,494)	2,642,144	0
Total Governmental Activities Long-Term Obligations	\$87,769,448	\$2,900,214	(\$22,029,313)	\$68,640,349	\$2,636,607

\* Amount restated, see note 22 for additional information.

**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 2022, \$701,650 was accreted for a total bond value of \$4,467,035, which includes accretion of \$4,147,035. The capital appreciation bonds will mature in fiscal years 2023 through 2025. The maturity of the bonds is \$5,715,000. The bonds will be paid from the Debt Service Fund from tax revenue with the remaining balance of the serial and term bonds refunded in fiscal year 2017 with the 2016 refunding bonds.

**Chillicothe City School District**  
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2009 School Energy Conservation Improvement Bonds – During fiscal year 2009, the School District issued \$524,000 in School Energy Conservation Improvement Bonds (Qualified Zone Academy Project) with a zero percent interest rate for the purpose of the School District’s HB 264 energy conservation project at the High School/Middle School. The bonds will mature on December 15, 2021. The bonds will be paid from the Debt Service Fund.

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. 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, 2036.

The Series A 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>
2037	\$5,000
2038	5,000
2039	10,000
2040	\$10,000
2041	10,000
2042	315,000
2043	695,000
2044	730,000
2045	765,000

The remaining principal amount of the term bonds (\$805,000) will be paid at stated maturity on December 1, 2046.



**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
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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.

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. The bonds will be paid from the Debt Service Fund.

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.

Principal and interest requirements to retire general obligation debt at June 30, 2022 are as follows:

<u>Fiscal Year Ending</u>	<u>2016 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$0	\$652,700
2024	0	652,700
2025	0	652,700
2026	1,710,000	652,700
2027	1,795,000	567,200
2028-2032	10,115,000	1,698,800
2033	2,270,000	90,800
Totals	<u>\$15,890,000</u>	<u>\$4,967,600</u>

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Fiscal Year Ending	General Obligation Bonds 2007 Capital Appreciation	
	Principal	Interest
2023	\$125,000	\$1,780,000
2024	105,000	1,800,000
2025	90,000	1,815,000
Totals	\$320,000	\$5,395,000

Fiscal Year Ending	2016 School Facilities Construction and Improvement Bonds		2016 PI TANS	
	Principal	Interest	Principal	Interest
2023	\$310,000	\$746,400	\$250,000	\$42,600
2024	325,000	734,700	260,000	32,600
2025	335,000	722,500	270,000	22,200
2026	350,000	711,050	285,000	11,400
2027	360,000	698,625	0	0
2028-2032	2,015,000	3,277,925	0	0
2033-2037	2,420,000	2,862,225	0	0
2038-2042	2,960,000	2,335,600	0	0
2043-2047	3,670,000	1,623,200	0	0
2048-2052	4,530,000	764,225	0	0
2053-2054	2,040,000	72,100	0	0
Totals	\$19,315,000	\$14,548,550	\$1,065,000	\$108,800

**Financed Purchase Agreements**

During a previous fiscal year, the School District entered into financed purchases for copier equipment and to finance the purchase of property, improvements, and equipment. These agreements meet the criteria of a financed purchase which is defined as a financed purchase which transfers ownership to the lessee. Financed purchase payments are reflected as debt service expenditures in the fund financial statements. Principal payments made during fiscal year 2022 totaled \$313,739 from the Permanent Improvement Capital Projects Fund.

The agreements provide for minimum annual financed purchase payments as follows:

Fiscal Year Ending June 30,	Financed Purchase	
	Principal	Interest
2023	\$79,717	\$1,320
2024	50,000	488
Totals	\$129,717	\$1,808

**Leases Payable**

In previous fiscal years, the School District entered into agreements for the use of copier equipment. Due to the implementation of GASB 87, these leases have met the criteria of leases thus requiring them to be recorded by the School District. Lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. Principal payments are being made from the general fund.

**Chillicothe City School District**  
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A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Principal	Interest
2023	\$48,727	\$9,797
2024	51,165	7,359
2025	53,722	4,802
2025	42,307	1,586
Total	\$195,921	\$23,544

Compensated absences payable will be paid from the funds in which the employees were paid, with the most significant being the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$8,336,388 and the unvoted debt margin was \$460,169 at June 30, 2022.

**NOTE 14-INTERFUND ACTIVITY**

**Transfers**

For the year ended June 30, 2022, the School District had the following interfund transactions:

Fund	Transfers In	Transfers Out
<i>Major Funds:</i>		
General Fund	\$0	\$200,295
Debt Service Fund	328,385	0
 <i>Nonmajor Governmental Funds:</i>		
Permanent Improvement Fund	597,414	518,756
Building Fund	560,211	0
Disability Access Project Fund	0	1,157,625
Classroom Facilities Maintenance Fund	190,371	0
Student Managed Activities Fund	619	0
District Managed Activities Fund	151,097	0
Total Nonmajor Governmental Funds	1,499,712	1,676,381
 <i>Nonmajor Enterprise Fund:</i>		
Cavalier Athletic Center Fund	48,579	0
Total All Funds	\$1,876,676	\$1,876,676

During the year, the School District's Permanent Improvement Fund transferred funds to the Classroom Facilities Maintenance Fund and Bond Retirement Fund to provide funds for the maintenance program and debt repayment plan associated with the OSFC project. The Disability Access Project Fund transferred funds to the Permanent Improvement Fund and Building Fund to close out the fund in accordance with OSFC authorization.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Interfund Receivables/Payables**

As of June 30, 2022, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
<i>Major Funds:</i>		
General Fund	\$1,178,480	\$0
ESSER Fund	0	946,645
 <i>Nonmajor Governmental Funds:</i>		
Public School Support	0	21,450
Miscellaneous State Grants	0	1,083
VI-B Special Education	0	47,282
School Improvement Grant	0	5,479
Title I	0	118,130
Drug Free	0	8,410
Early Childhood Special Education	0	14,776
Title VI-R	0	6,869
Miscellaneous Federal Grants	0	1,045
Total Nonmajor Governmental Funds	0	224,524
 <i>Nonmajor Enterprise Fund:</i>		
Cavalier Athletic Center	0	7,311
Total All Funds	\$1,178,480	\$1,178,480

During the year, the School District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue or to cover negative cash balances until additional funding is received.

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

**Jointly Governed Organizations**

*Miami Valley Educational Computer Association* – The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 42 school districts, service centers, community schools, STEM schools, and parochial schools in Clark, Clinton, Fayette, Greene, Highland, Madison, Montgomery, and Ross Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

*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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**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.

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.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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	Capital Acquisition
Set Aside Balance as of June 30, 2021	\$0
Current Year Set Aside Requirement	497,703
Current Year Qualifying Expenditures	(497,703)
Total	\$0
Balance Carried Forward to Fiscal Year 2023	\$0
Set-Aside Balance June 30, 2022	\$0

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 \$18,159,663 as of June 30, 2022.

**NOTE 17 – 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, 2022, if applicable, cannot be determined at this time.

**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 (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized these adjustments. Additional adjustments were not significant.

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2022

**NOTE 18-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	ESSER Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Library Purposes	\$0	\$0	\$0	\$450,000	\$450,000
Unclaimed Monies	4,805	0	0	0	4,805
Total Nonspendable	4,805	0	0	450,000	454,805
<i>Restricted for</i>					
Capital Projects and Maintenance	0	0	0	3,444,703	3,444,703
Other Purposes	0	0	0	168,651	168,651
Student Managed Activities	0	0	0	106,484	106,484
Debt Service	0	2,446,222	0	0	2,446,222
Total Restricted	0	2,446,222	0	3,719,838	6,166,060
<i>Committed for</i>					
Capital Projects	0	0	0	240,168	240,168
Termination Benefits	169,345	0	0	0	169,345
Total Committed	169,345	0	0	240,168	409,513
<i>Assigned to</i>					
Student and Staff Support FY22 Appropriations in Excess of Estimated Receipts	56,865	0	0	0	56,865
Services and Supplies	528,448	0	0	0	528,448
Total Assigned	782,397	0	0	0	782,397
	1,367,710	0	0	0	1,367,710
<i>Unassigned (Deficit)</i>	4,552,286	0	(150,638)	(203,531)	4,198,117
<i>Total Fund Balances</i>	\$6,094,146	\$2,446,222	(\$150,638)	\$4,206,475	\$12,596,205

**NOTE 19 – COMMITMENTS**

**Encumbrances**

At June 30, 2022, the School District had significant encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General	\$853,818
ESSER	849,260

**Chillicothe City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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<i>Nonmajor Funds</i>	
Permanent Improvement	\$174,318
Capital Projects	63,540
Title I	27,045

**NOTE 20 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

During fiscal year 2022, the School District reported ESSER funding and Coronavirus Rural and Small Town funding in the amounts of \$4,514,656 and \$16,917, respectively. Of the amounts received, none was sub-granted to other governments and organizations, returned to the granting agency, or spent on-behalf of other governments. The School District did not receive significant donated personal protective equipment as an on-behalf of grant from another government.

**NOTE 21 – SUBSEQUENT EVENT**

As of July 1, 2022, the School District entered into an agreement to be the fiscal agent for the Ross County Family and Children First Council.

**NOTE 22 – NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES**

For fiscal year 2022, the School District implemented GASB Statement No. 87, “Leases”. GASB Statement 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District’s fiscal year 2022 financial statements.

In addition to restatements related to the new accounting pronouncement mentioned above, the School District also restated beginning balances to account for previously underreported accretion on the 2007 Construction Bonds.

The restatement for the implementation of GASB 87 and previously unreported accretion had the following effect on net position as of June 30, 2021:

	<u>Governmental</u>
	<u>Activities</u>
Net Position, As Reported, June 30, 2021	\$7,544,105
<i>Adjustments:</i>	
Underreported Accretion	(1,637,480)
GASB 87	(1,098)
Net Position, As Restated, July 1, 2021	<u>\$5,905,527</u>



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

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>State Teachers Retirement System</i>									
School District's proportion of the net pension liability	0.10857377%	0.10857377%	0.11320302%	0.11495518%	0.11323341%	0.11232366%	0.10889470%	0.10865628%	0.109403642%
School District's proportionate share of the net pension liability	\$31,458,107	\$26,408,898	\$31,286,004	\$38,478,964	\$26,898,839	\$24,697,451	\$24,081,408	\$26,290,954	\$13,988,239
School District's covered-employee payroll	\$10,958,115	\$10,683,146	\$10,995,771	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	287.1%	247.2%	284.5%	292.1%	203.2%	197.1%	187.6%	197.8%	107.7%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%
<i>School Employees Retirement System</i>									
School District's proportion of the net pension liability	0.11587900%	0.11587900%	0.12520490%	0.13317600%	0.13309090%	0.14172080%	0.14252540%	0.13885580%	0.13800710%
School District's proportionate share of the net pension liability	\$6,890,954	\$5,864,570	\$7,144,312	\$9,747,254	\$7,951,887	\$8,116,613	\$8,527,545	\$9,184,215	\$5,092,062
School District's covered-employee payroll	\$4,026,510	\$4,167,597	\$3,704,401	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.1%	140.7%	192.9%	231.5%	188.1%	184.7%	187.3%	198.2%	110.2%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.

Information not available prior to 2014.

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 Six Fiscal Years*

	2017	2018	2019	2020	2021	2022
<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%
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)
School District's covered-employee payroll	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	46.0%	33.4%	-14.4%	-14.0%	-14.4%	-17.8%
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%
<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%
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
School District's covered-employee payroll	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	91.5%	85.8%	90.2%	80.4%	67.6%	57.8%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%

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*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$1,424,555	\$1,388,809	\$1,539,408	\$1,844,384	\$1,853,216	\$1,754,486	\$1,797,218	\$1,861,081	\$1,818,397	\$2,032,674
Contractually required contribution - OPEB	109,581	106,831	0	0	0	0	0	0	0	0
Contractually required contribution - total	1,534,136	1,495,640	1,539,408	1,844,384	1,853,216	1,754,486	1,797,218	1,861,081	1,818,397	2,032,674
Contributions in relation to the contractually required contribution	1,534,136	1,495,640	1,539,408	1,844,384	1,853,216	1,754,486	1,797,218	1,861,081	1,818,397	2,032,674
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$10,958,115	\$10,683,146	\$10,995,771	\$13,174,171	\$13,237,257	\$12,532,043	\$12,837,271	\$13,293,436	\$12,988,550	\$14,519,100
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee 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	\$557,269	\$577,629	\$488,240	\$589,340	\$591,936	\$593,096	\$614,512	\$648,845	\$647,102	\$783,036
Contractually required contribution - OPEB (1)	6,442	5,835	30,376	0	0	21,967	22,760	0	0	0
Contractually required contribution - total	563,711	583,464	518,616	589,340	591,936	615,063	637,272	648,845	647,102	783,036
Contributions in relation to the contractually required contribution	563,711	583,464	518,616	589,340	591,936	615,063	637,272	648,845	647,102	783,036
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$4,026,510	\$4,167,597	\$3,704,401	\$4,209,571	\$4,228,114	\$4,393,304	\$4,551,941	\$4,634,607	\$4,622,157	\$5,593,114
Contributions as a percentage of covered-employee payroll - pension	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee 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.

**State Teachers Retirement System**

**Pension**

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 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 2022.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 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.

**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.
- 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

**Chillicothe City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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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 extent 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.

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.
- 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

**Chillicothe City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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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

### **School Employees Retirement System**

#### **Pension**

##### **Changes in benefit terms**

There were no changes to benefit terms for fiscal years 2015 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.

##### **Changes in assumptions**

There were no changes in assumptions for fiscal years 2015 through 2017.

**Chillicothe City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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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 disable 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.

**OPEB**

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2022.

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:

**Chillicothe City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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- 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:

- 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.



**Chillicothe City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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- 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.

**Chillicothe City School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2022*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal Assistance Listing Number	Provided Through to Subrecipients	Federal Awards Expenditures
<b>United States Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$0	\$433,721
COVID-19 National School Lunch Program	3L60	10.555	0	59,179
National School Lunch Program	3L60	10.555	0	1,034,665
National School Lunch Program - Non-Cash Assistance	N/A	10.555	0	83,988
Total Child Nutrition Cluster			<u>0</u>	<u>1,611,553</u>
COVID-19 Pandemic EBT Administrative Costs	3HF0	10.649	0	3,063
<b>Total United States Department of Agriculture</b>			<b>0</b>	<b>1,614,616</b>
<b>United States Department of Treasury</b>				
<i>Passed through the Ohio Department of Education</i>				
COVID-19 Coronavirus Relief Fund-Broadband Ohio Connectivity	5CV1	21.019	0	26,745
COVID-19 Coronavirus Relief Fund-Rural and Small Town School Districts	5CV1	21.019	0	8,568
Total Coronavirus Relief Fund			<u>0</u>	<u>35,313</u>
<b>Total United States Department of Treasury</b>			<b>0</b>	<b>35,313</b>
<b>United States Department of Education</b>				
<i>Passed through the Ohio Department of Education</i>				
Special Education Cluster (IDEA):				
Special Education-Grants to States	3M20	84.027A	0	672,836
COVID-19 Special Education-Grants to States	3IA0	84.027X	0	99,246
COVID-19 Special Education-Preschool Grants	3IA0	84.173X	0	17,034
Total Special Education Cluster (IDEA)			<u>0</u>	<u>789,116</u>
Title I Grants to Local Educational Agencies	3M00	84.010A	0	1,471,818
Title I Grants to Local Educational Agencies-School Improvement	3M00	84.010A	0	62,691
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>1,534,509</u>
Education for Homeless Children and Youth	3EJ0	84.196A	0	21,966
Rural Education	3Y80	84.358B	0	87,506
English Language Acquisition Grants to States	3Y70	84.365A	1,873	1,873
COVID-19 Education Stabilization Fund-ESSER II	3HS0	84.425D	0	1,702,876
COVID-19 Education Stabilization Fund-ESSER ARP	3HS0	84.425U	0	2,427,238
COVID-19 Education Stabilization Fund-ESSER ARP Homeless Children and Youth	3HZ0	84.425W	0	85,977
Total COVID-19 Education Stabilization Fund			<u>0</u>	<u>4,216,091</u>
Supporting Effective Instruction State Grants	3Y60	84.367A	0	187,149
Student Support and Academic Enrichment Program	3HI0	84.424A	0	80,296
<b>Total United States Department of Education</b>			<b>1,873</b>	<b>6,918,506</b>
<b>Total Federal Financial Assistance</b>			<b>\$1,873</b>	<b>\$8,568,435</b>

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

**Chillicothe City School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*2 CFR 200.510(b)(6)*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 1 – Basis of Presentation**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the School District’s federal award programs. The information in this schedule is presented 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 – 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 5 – 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 6 – Subrecipients**

The School District passes certain federal awards received from the Ohio Department of Education 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 7 – Transfers Between Program Years**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The School District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amount</u>
Title I Grants to Local Education Agencies	84.010A	\$6,242
Supporting Effective Instruction State Grants	84.367A	449
Student Support and Academic Enrichment Program	84.424A	1,343
Special Education-Grants to States	84.027A	2,154

**Chillicothe City School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*2 CFR 200.510(b)(6)*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 8 – Adjustments to Grant Programs**

In fiscal year 2022, the School District determined that expenditures reported under the ESSER II program in the prior fiscal year were eligible for expenditure under the ESSER ARP program. As such, the School District adjusted its schedule of federal awards expenditures to reflect those expenditures under the ESSER ARP program in fiscal year 2022. These adjustments totaled \$208,246. The School District processed these adjustments through the Ohio Department of Education’s Comprehensive Continuous Improvement Plan.

**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, 2022, 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 30, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District.

**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.

### **Report on Compliance and Other Matters**

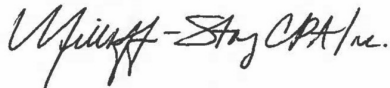
As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

### **School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the finding 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 30, 2023

**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**

***Qualified Opinion***

We have audited the compliance of 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, 2022. 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.

***Qualified Opinion on the Education Stabilization Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, 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 Education Stabilization Fund for the year ended June 30, 2022.

***Basis for Qualified Opinion***

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 qualified 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.

*Matter Giving Rise to Qualified Opinion on the Education Stabilization Fund*

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Assistance Listing No. 84.425 Education Stabilization Fund as described in finding number 2022-002 for Special Tests and Provisions – Wage Rate Requirements.

Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

***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.



***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the noncompliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

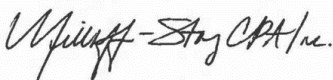
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the internal control over compliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

March 30, 2023

**Chillicothe City School District**  
*Schedule of Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2022*

**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?	Yes
	Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:		Qualified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes
Identification of major program(s):		COVID-19 Education Stabilization Fund, AL #84.425D, 84.425U, 84.425W
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?		No

**Section II – Financial Statement Findings**

**Finding 2022-001 – Noncompliance – Accounting for Self-Insurance Program**

Ohio Revised Code Section 9.833(C)(2) states that each political subdivision shall reserve funds necessary for an individual or joint self-insurance program in a special fund that may be established for political subdivisions other than an agency or instrumentality pursuant to an ordinance or resolution of the political subdivision and not subject to section 5705.12 of the Revised Code.

The School District is self-insured and has established the necessary internal service fund for fiscal year 2022 but did not utilize it for accounting for its self-insurance program during the year. We did note that the School District included the proper adjustments and disclosures in its compiled basic financial statements based on information provided by the plan administrator. The School District should ensure that self-insurance activity is properly accounted for throughout the year in the established internal service fund.

*Client response:*

See accompanying corrective action plan.

**Chillicothe City School District**  
*Schedule of Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2022*

**Section III – Federal Award Findings and Questioned Costs**

<b>ALN Title and Number</b>	COVID-19 Education Stabilization Fund, AL #84.425D, 84.425U, 84.425W		
<b>Federal Award Number and Year</b>	2022		
<b>Federal Agency</b>	United States Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Finding 2022-002 – Noncompliance/Material Weakness – Special Tests and Provisions – Wage Rate Requirements**

2 CFR Section 3474 gives regulatory effect to the Department of Education for Appendix II to 2 CFR Section 200 which states that, in addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable:

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144 and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”).

In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland “Anti-Kickback” Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

29 CFR Section 5.5(a)(3)(ii)(A) states, in part, that a contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution shall require a clause that the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the appropriate agency if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the agency.

29 CFR Section 5.6 further states, in part, agencies which do not directly enter into such contracts shall promulgate the necessary regulations or procedures to require the recipient of the Federal assistance to insert in its contracts the provisions of Section 5.5. No payment, advance, grant, loan, or guarantee of funds shall be approved by the Federal agency unless the agency ensures that the clauses required by Section 5.5 and the appropriate wage determination of the Secretary of Labor are contained in such contracts.

**Chillicothe City School District**  
*Schedule of Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2022*

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**Finding 2022-002 – Noncompliance/Material Weakness – Special Tests and Provisions – Wage Rate Requirements (Continued)**

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of federal information provided for federal reimbursement. In 2022, the School District undertook two projects that were subject to prevailing wage requirements. Education Stabilization Funds were utilized for these project costs. For one project, the contract document could not be provided for us to inspect for required wage rate clauses. For the second project, a contract could be provided and did include the appropriate wage rate requirement language. Evidence could not be provided for either project that certified payrolls were received and monitored by the School District.

Without proper controls over wage rate requirements, there is an increased risk that the School District and its contractors and subcontractors are not in compliance with applicable federal regulations. Additionally, noncompliance could result in federal funding being reduced or taken away, or other sanctions imposed by the federal grantor agency.

The School District should establish (or perform existing) controls to include the required clauses of 29 CFR 5.5, particularly those concerning prevailing wage rates and the requirement that the contract shall contain required prevailing wage clauses and the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to (or for transmission to, where applicable) the School District, in its construction contracts (and subcontracts) greater than \$2,000 that are covered by the wage rate requirements and take steps to ensure contractors (and subcontractors, if applicable) are in compliance with all labor standards by collecting the required certified payroll documentation in a timely manner. The School District should obtain the necessary information from the contractor to document compliance with the program requirements and report all suspected or reported violations to the Federal awarding agency. Further, the School District should implement procedures to ensure that copies of executed contracts are maintained to support compliance of wage rate requirements.

*Client Response:*

See accompanying corrective action plan.



425 YOCTANGEE PARKWAY  
 CHILLICOTHE, OHIO 45601  
 (740) 775-4250

**Chillicothe City School District**  
*Corrective Action Plan*  
 For the Fiscal Year Ended June 30, 2022

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	The School District started using the 024 Fund for all insurance payments starting in July 2022.	July 2022	Claudia Zaler, Treasurer
2022-002	Contracts are being scanned into voucher packets kept in files and copies are retained by Treasurer's Office. All Board Members, the Superintendent, Administration, Directors, Supervisors, and Business Manager have been told in person, in email, and in phone conversations regarding the \$2,000 prevailing wage requirement with ESSER federal funds.	March 30, 2023	Claudia Zaler, Treasurer



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**Chillicothe City School District**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2022*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2021-001	2021 Material Weakness – Financial Reporting	No	Reissued in Management Letter
2021-002	2021 Noncompliance/Material Weakness – Ohio Revised Code Section 9.833(C)(2) – Self-Insurance Reporting	No	Reissued, in part, as Finding 2022-001

# 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 8/8/2023**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)