ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

OHIO AUDITOR OF STATE
KEITH FABER

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

Board Members
Zane Trace Local School District
946 State Route 180
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Zane Trace Local School District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2024

This page intentionally left blank.

Zane Trace Local School District
Ross County
Table of Contents
For the Fiscal Year Ended June 30, 2023

Independent Auditor's Report

Members of the Board
Zane Trace Local School District
946 State Route 180
Chillicothe, Ohio 45601

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Zane Trace Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 major fund, and the aggregate remaining fund information of Zane Trace Local School District, Ross County, Ohio, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

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

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 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 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 the District's proportionate share of the net pension/OPEB liability/asset, and the schedules of 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 District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards 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 April 5, 2024 on our consideration of the 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 on opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio
April 5, 2024

The discussion and analysis of the Zane Trace Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of Zane Trace Local School District exceeded its liabilities and deferred inflows at June 30, 2023 by $2,582,813. Of this amount, $10,265,021 represents net investment in capital assets and net position amounts restricted for specific purposes. The remaining deficit of $7,682,208 represents unrestricted net position.

- In total, net position of governmental activities increased by $583,639 which represents a 29.19 percent increase from 2022.

- General revenues accounted for $14,402,680 or 77.24 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $4,243,621 or 22.76 percent of total revenues of $18,646,301.

- The District had $18,062,662 in expenses related to governmental activities; only $4,243,621 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues (primarily taxes and grants and entitlements) of $14,402,680 were sufficient enough to provide for the remainder of these programs.

- The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had $16,025,444 in revenues and $15,614,586 in expenditures in fiscal year 2023.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the Zane Trace Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund begins on page 13. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

Proprietary Fund

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

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.

Government-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole, showing assets, deferred outflows, liabilities, deferred inflows and the difference between them (net position). Table 1 provides a summary of the District's net position for 2023 compared to fiscal year 2022:

Table 1

Net Position at Year End

	Governmental Activities		
	2023	2022	Change
Assets:			
Current and Other Assets	$15,199,188	$14,113,182	$1,086,006
Capital Assets, Net	11,647,789	12,043,791	(396,002)
Net OPEB Asset	1,246,828	1,059,035	187,793
Total Assets	28,093,805	27,216,008	877,797
Deferred Outflows of Resources:			
Pension	3,185,453	3,355,671	(170,218)
OPEB	335,920	422,348	(86,428)
Total Deferred Outflows of Resources	3,521,373	3,778,019	(256,646)
Liablities:			
Current and Other Liabilities	2,147,190	2,177,642	(30,452)
Long-Term Liabilities:			
Due Within One Year	402,524	359,474	43,050
Due in More than One Year:			
Net Pension Liability	13,501,856	8,381,871	5,119,985
Net OPEB Liability	736,340	1,025,066	(288,726)
Other Amounts	2,900,539	3,269,772	(369,233)
Total Liabilities	19,688,449	15,213,825	4,474,624
Deferred Inflows of Resources:			
Property Taxes	5,877,469	5,163,535	713,934
Pension	1,541,461	6,777,281	(5,235,820)
OPEB	1,924,986	1,840,212	84,774
Total Deferred Inflows of Resources	9,343,916	13,781,028	(4,437,112)
Net Position:			
Net Investment in Capital Assets	9,357,217	9,434,378	(77,161)
Restricted	907,804	1,722,973	(815,169)
Unrestricted (Deficit)	(7,682,208)	(9,158,177)	1,475,969
Total Net Position	$2,582,813	$1,999,174	$583,639

The net pension liability (NPL) and net other postemployment benefits liability (OPEB) are two of the largest liabilities reported by the District at June 30, 2023 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revise accounting for costs and liabilities related to pensions and other postemployment benefits. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension and OPEB costs, GASB Statements No. 27 and 45 focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension and OPEB liability*. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide retirement systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

Current and other assets increased $1,086,006 from fiscal year 2022 due primarily to an increase in cash and cash equivalents and property taxes receivable. Capital assets decreased by $396,002 or 3.29 percent.

Current (other) liabilities decreased by $30,452 or 1.40 percent due mostly to a decrease in intergovernmental payable, partially offset by an increase in claims payable.

Long-term liabilities increased by $4,505,076 or 34.56 percent as the result of an increase in net pension liability.

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

The balance of $907,804 in restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2023 and provides a comparison to fiscal year 2022.

Table 2
Changes in Net Position

	Governmental Activities		
	2023	2022	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$1,092,708	$988,141	$104,567
Operating Grants and Contributions	3,150,913	3,168,491	(17,578)
General Revenues:			
Property Taxes	6,396,449	5,305,070	1,091,379
Income Taxes	2,025,088	1,942,648	82,440
Unrestricted Grants and Entitlements	5,750,803	5,624,842	125,961
Investment Earnings	43,213	3,540	39,673
Payment in Lieu of Taxes	6,833	700	6,133
Miscellaneous	180,294	306,476	(126,182)
Total Revenues	18,646,301	17,339,908	1,306,393

(Continued)

Table 2

Changes in Net Position (Continued)

	Governmental Activities		
	2023	2022	Change
Expenses:			
Instruction:			
Regular	$7,552,239	$6,366,376	$1,185,863
Special	1,954,010	1,794,835	159,175
Other	200,357	107,848	92,509
Support Services:			
Pupils	1,452,096	1,213,511	238,585
Instructional Staff	196,719	102,005	94,714
Board of Education	173,792	78,455	95,337
Administration	1,029,434	927,187	102,247
Fiscal	799,281	473,488	325,793
Operation and Maintenance of Plant	2,209,250	1,342,187	867,063
Pupil Transportation	940,047	856,850	83,197
Central	183,915	239,294	(55,379)
Operation of Non-Instructional Services:			
Food Services	630,595	542,486	88,109
Extracurricular Activities	661,959	569,335	92,624
Interest on Long-Term Debt	78,968	95,491	(16,523)
Total Expenses	18,062,662	14,709,348	3,353,314
Change in Net Position	583,639	2,630,560	(2,046,921)
Net Position at Beginning of Year	1,999,174	(631,386)	2,630,560
Net Position at End of Year	$2,582,813	$1,999,174	$583,639

The most significant program expenses for the District are Regular Instruction, Operation and Maintenance of Plant, Special Instruction, Pupils, and Administration. These programs account for 78.60 percent of the total governmental activities. Regular Instruction, which accounts for 41.81 percent of the total, represents costs associated with providing general educational services. Operation and Maintenance of Plant, which represents 12.23 percent of the total, represent costs associated with operating and maintaining the District's facilities. Special Instruction, which represents 10.82 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupils, which represents 8.04 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Administration, which represents 5.70 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The change in revenues consists of an increase of $86,989 or 2.09 percent in program revenue from last year and an increase of $1,219,404 or 9.25 percent in general revenues. The increase in program revenues is due to an increase of $104,567 or 10.58 percent in charges for services and sales. The increase in general revenues is due to an increase of $1,091,379 or 20.57 percent in property taxes.

The total expenses for governmental activities increased $3,353,314 or 22.80 percent and is primarily attributable to increases throughout the expense types. The large increase in expenses is the result of the retirement systems calculations for net pension and net OPEB liabilities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes, operating grants and contributions and grants and entitlements not restricted for specific programs. Property taxes, income taxes, operating grants and contributions and grants and entitlements not restricted for specific programs account for 92.90 percent of total revenues.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes makes up 34.30 percent and intergovernmental revenue makes up 47.74 percent of the total revenue for the governmental activities in fiscal year 2023.

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

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2023, the District received $6,304,246 through the State's foundation program, which represents 33.81 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 53.74 percent of governmental activities program expenses. Support services expenses make up 38.67 percent of governmental activities expenses. The Statement of Activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2023 compared with fiscal year 2022. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Program Expenses:				
Instruction	$9,706,606	$8,062,814	$8,269,059	$6,457,347
Support Services	6,984,534	5,462,820	5,232,977	4,004,331
Operation of Non-Instructional Services	630,595	6,764	542,486	(205,845)
Extracurricular Activities	661,959	207,675	569,335	201,392
Interest and Fiscal Charges	78,968	78,968	95,491	95,491
Total Expenses	$18,062,662	$13,819,041	$14,709,348	$10,552,716

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of $18,669,876 and expenditures of $18,429,233.

Total governmental fund balance increased by $240,643. The increase in fund balance for the year was most significant in the General Fund, which increased by $410,858 due to an increase in property tax revenues.

Budget Highlights - General Fund

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

During the course of fiscal year 2023, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

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

For the General Fund, the final budget basis revenue was $15,615,749 representing a $1,179,665 increase from the original budget estimates of $14,436,084. The final budget reflected a 8.17 percent increase from the original budgeted amount. Most of this difference was due to receiving more property tax revenue than was originally estimated. For the General Fund, the final budget basis expenditures were $19,875,644 representing an increase of $2,309,796 from the original budget expenditures of $17,565,848. The final budget reflected a 13.15 percent increase from the original budgeted amount. Most of this difference was due to the increases in regular instruction, special instruction and operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the District had $24,423,651 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of $12,775,862. Table 4 shows fiscal year 2023 balances compared to fiscal year 2022.

Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2023	2022
Nondepreciable Capital Assets:		
Land	$140,210	$140,210
Depreciable Capital Assets:		
Land Improvements	418,118	418,118
Buildings and Improvements	19,340,365	19,340,365
Furniture, Fixtures and Equipment	2,988,234	2,986,832
Vehicles	1,536,724	1,375,529
Total Capital Assets	24,423,651	24,261,054
Less Accumulated Depreciation:		
Land Improvements	393,043	375,008
Buildings and Improvements	8,969,410	8,545,294
Furniture, Fixtures and Equipment	2,396,848	2,344,374
Vehicles	1,016,561	952,587
Total Accumulated Depreciation	12,775,862	12,217,263
Capital Assets, Net	$11,647,789	$12,043,791

More detailed information pertaining to the District's capital asset activity can be found in Note 11 of the notes to the basic financial statements.

Debt Administration

At June 30, 2023, the District had $2,290,572 in financed purchase agreement obligations and leases outstanding with $328,577 due within one year. Table 5 summarizes amounts outstanding for fiscal year 2023 compared to fiscal year 2022.

Table 5

Outstanding Debt, Governmental Activities at Year End

Purpose	2023	2022
Financed Purchase Agreement	$2,225,000	$2,504,000
Leases Payable	65,572	103,413
Total	$2,290,572	$2,607,413

More detailed information pertaining to the District's long-term debt activity can be found in Note 16 of the notes to the basic financial statements.

Current Issues

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

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

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

Contacting the District's Financial Management

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Net Position

As of June 30, 2023

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$5,717,865
Cash and Cash Equivalents with Fiscal Agents	1,738,506
Property Taxes Receivable	6,493,083
Income Taxes Receivable	798,739
Intergovernmental Receivable	79,972
Inventory Held for Resale	8,688
Prepaid Items	2,642
Restricted Assets:	
Equity Pooled in Cash and Cash Equivalents	359,693
Nondepreciable Capital Assets	140,210
Depreciable Capital Assets, Net	11,507,579
Net OPEB Asset	1,246,828
Total Assets	28,093,805
Deferred Outflows of Resources:	
Pension	3,185,453
OPEB	335,920
Total Deferred Outflows of Resources	3,521,373
Liabilities:	
Accounts Payable	57,601
Accrued Wages and Benefits	1,218,997
Contracts Payable	2,599
Intergovernmental Payable	225,076
Accrued Interest Payable	9,953
Claims Payable	620,859
Matured Compensated Absences Payable	12,105
Long-Term Liabilities:	
Due within One Year	402,524
Due in More Than One Year:	
Net Pension Liability	13,501,856
Net OPEB Liability	736,340
Other Amounts Due in More Than One Year	2,900,539
Total Liabilities	19,688,449
Deferred Inflows of Resources:	
Property Taxes	5,877,469
Pension	1,541,461
OPEB	1,924,986
Total Deferred Inflows of Resources	9,343,916
Net Position:	
Net Investment in Capital Assets	9,357,217
Restricted for:	
Set-Asides	359,693
Other Purposes	548,111
Unrestricted (Deficit)	(7,682,208)
Total Net Position	$2,582,813

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$7,552,239	$379,637	$441,528	($6,731,074)
Special	1,954,010	0	816,759	(1,137,251)
Vocational	0	0	5,868	5,868
Other	200,357	0	0	(200,357)
Support Services:				
Pupils	1,452,096	0	96,921	(1,355,175)
Instructional Staff	196,719	0	0	(196,719)
Board of Education	173,792	18,799	18,405	(136,588)
Administration	1,029,434	20,222	13,430	(995,782)
Fiscal	799,281	0	0	(799,281)
Operation and Maintenance of Plant	2,209,250	0	641,790	(1,567,460)
Pupil Transportation	940,047	0	706,747	(233,300)
Central	183,915	0	5,400	(178,515)
Operation of Non-Instructional Services:				
Food Service	630,595	230,920	392,911	(6,764)
Extracurricular Activities	661,959	443,130	11,154	(207,675)
Debt Service:				
Interest on Long-Term Debt	78,968	0	0	(78,968)
Total Governmental Activities	$18,062,662	$1,092,708	$3,150,913	($13,819,041)

General Revenues:	
Property Taxes Levied for:	
General Purposes	6,396,449
Income Taxes	2,025,088
Payment in Lieu of Taxes	6,833
Grants and Entitlements not Restricted to Specific Programs	5,750,803
Investment Earnings	43,213
Miscellaneous	180,294
Total General Revenues	14,402,680
Change in Net Position	583,639
Net Position at Beginning of Year	1,999,174
Net Position at End of Year	$2,582,813

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
As of June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$4,676,973	$842,601	$5,519,574
Property Taxes Receivable	6,493,083	0	6,493,083
Income Taxes Receivable	798,739	0	798,739
Intergovernmental Receivable	45,450	34,522	79,972
Prepaid Items	1,876	766	2,642
Inventory Held for Resale	0	8,688	8,688
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	359,693	0	359,693
Total Assets	$12,375,814	$886,577	$13,262,391
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts Payable	$54,951	$2,650	$57,601
Accrued Wages and Benefits	1,103,419	115,578	1,218,997
Contracts Payable	2,599	0	2,599
Interfund Payable	240,455	7,499	247,954
Intergovernmental Payable	218,373	6,703	225,076
Matured Compensated Absences Payable	12,105	0	12,105
Total Liabilities	1,631,902	132,430	1,764,332
Deferred Inflows of Resources:			
Property Taxes	5,985,367	0	5,985,367
Income Taxes	199,685	0	199,685
Unavailable Revenue	0	23,437	23,437
Total Deferred Inflows of Resources	6,185,052	23,437	6,208,489
Fund Balances:			
Nonspendable	1,876	766	2,642
Restricted	359,693	745,989	1,105,682
Assigned	2,791,535	0	2,791,535
Unassigned (Deficit)	1,405,756	(16,045)	1,389,711
Total Fund Balances	4,558,860	730,710	5,289,570
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$12,375,814	$886,577	$13,262,391

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of June 30, 2023

Total Governmental Funds Balances		$5,289,570
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.		11,647,789
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows in the funds. These receivables consist of:		
Property taxes	107,898	
Income taxes	199,685	
Intergovernmental revenues	23,437	
Total		331,020
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Accrued interest on bonds	(9,953)	
Financed Purchase Agreement	(2,225,000)	
Leases Payable	(65,572)	
Compensated absences	(1,012,491)	
Total liabilities not reported in funds		(3,313,016)
The net pension/OPEB liability/asset is not due and payable/receivable in the current peri therefore, the liability/asset and related deferred inflows/outflows are not reported in th governmental funds:		
Deferred Outlows - Pension	3,185,453	
Deferred Outlows - OPEB	335,920	
Deferred Inflows - Pension	(1,541,461)	
Deferred Inflows - OPEB	(1,924,986)	
Net OPEB Asset	1,246,828	
Net Pension Liability	(13,501,856)	
Net OPEB Liability	(736,340)	
Total		(12,936,442)
An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		1,563,892
Net Position of Governmental Activities		$2,582,813

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	$6,380,761	$0	$6,380,761
Income Taxes	2,026,634	0	2,026,634
Intergovernmental	6,968,196	1,913,810	8,882,006
Interest	43,213	0	43,213
Tuition and Fees	361,440	0	361,440
Gifts and Donations	49,742	7,685	57,427
Payment in Lieu of Taxes	6,833	0	6,833
Customer Sales and Services	0	230,920	230,920
Extracurricular Activities	63,315	437,033	500,348
Miscellaneous	125,310	54,984	180,294
Total Revenues	16,025,444	2,644,432	18,669,876
Expenditures:			
Current:			
Instruction:			
Regular	7,154,770	479,918	7,634,688
Special	1,748,946	208,385	1,957,331
Other	200,357	0	200,357
Support Services:			
Pupils	1,182,346	240,003	1,422,349
Instructional Staff	187,199	1,861	189,060
Board of Education	172,922	870	173,792
Administration	993,391	800	994,191
Fiscal	795,645	0	795,645
Operation and Maintenance of Plant	1,434,940	724,046	2,158,986
Pupil Transportation	953,783	110,695	1,064,478
Central	166,708	6,939	173,647
Operation of Non-Instructional Services	0	605,288	605,288
Extracurricular Activities	226,522	435,842	662,364
Debt Service:			
Principal	316,841	0	316,841
Interest	80,216	0	80,216
Total Expenditures	15,614,586	2,814,647	18,429,233
Net Change in Fund Balances	410,858	(170,215)	240,643
Fund Balances at Beginning of Year	4,148,002	900,925	5,048,927
Fund Balances at End of Year	$4,558,860	$730,710	$5,289,570

See accompanying notes to the basic financial statements.

Net Change in Fund Balances - Total Governmental Funds		$240,643
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 outlay in the current period.		(396,002)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	15,688	
Income taxes	(1,546)	
Intergovernmental	(37,717)	
Total revenues not reported in the funds		(23,575)
Repayment of financed purchase and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		316,841
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,248
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Compensated absences		9,342
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.		1,240,050
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.		(989,116)
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.		184,208
Change in Net Position of Governmental Activities		$583,639

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	$5,609,084	$6,173,594	$6,173,594	$0
Income Taxes	1,884,336	2,035,525	2,035,525	0
Intergovernmental	6,899,664	6,922,746	6,922,746	0
Interest	3,000	38,960	38,960	0
Tuition and Fees	0	318,870	318,870	0
Rent	20,000	0	0	0
Payment in Lieu of Taxes	0	6,833	6,833	0
Miscellaneous	20,000	119,221	119,221	0
Total Revenues	14,436,084	15,615,749	15,615,749	0
Expenditures:				
Current:				
Instruction:				
Regular	7,473,271	7,823,178	7,013,966	809,212
Special	1,892,342	2,380,964	2,041,648	339,316
Other	300,000	357,961	205,357	152,604
Support Services:				
Pupils	1,300,720	1,591,561	1,145,778	445,783
Instructional Staff	177,852	206,537	176,312	30,225
Board of Education	155,130	195,651	148,478	47,173
Administration	1,088,523	1,153,777	1,016,926	136,851
Fiscal	701,129	1,034,264	801,174	233,090
Operation and Maintenance of Plant	2,271,451	2,777,361	1,505,494	1,271,867
Pupil Transportation	1,198,322	1,283,829	968,702	315,127
Central	459,747	465,280	203,679	261,601
Extracurricular Activities:				
Academic Oriented Activities	25,823	26,867	21,279	5,588
Sport Oriented Activities	153,057	206,108	177,773	28,335
School and Public Service Co-Curricular Activities	10,855	14,680	11,092	3,588
Debt Service:				
Principal	279,000	279,000	279,000	0
Interest	78,626	78,626	75,432	3,194
Total Expenditures	17,565,848	19,875,644	15,792,090	4,083,554
Excess of Revenues Under Expenditures	(3,129,764)	(4,259,895)	(176,341)	4,083,554
Other Financing (Uses):				
Transfers Out	(1,395,097)	(519,746)	0	519,746
Total Other Financing (Uses)	(1,395,097)	(519,746)	0	519,746
Net Change in Fund Balances	(4,524,861)	(4,779,641)	(176,341)	4,603,300
Fund Balance at Beginning of Year	4,522,776	4,522,776	4,522,776	0
Prior Year Encumbrances Appropriated	256,865	256,865	256,865	0
Fund Balance at End of Year	$254,780	$0	$4,603,300	$4,603,300

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Fund Net Position
Proprietary Fund
As of June 30, 2023

	Governmental Activities Internal Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$198,291
Cash and Cash Equivalents with Fiscal Agents	1,738,506
Interfund Receivable	247,954
Total Current Assets	2,184,751
Liabilities:	
Current Liabilities:	
Claims Payable	620,859
Total Current Liabilities	620,859
Net Position:	
Unrestricted	1,563,892
Total Net Position	$1,563,892

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service
Operating Revenues:	
Charges for Services	$3,525,608
Total Operating Revenues	3,525,608
Operating Expenses:	
Purchased Services	25,073
Claims	3,316,327
Total Operating Expenses	3,341,400
Operating Income	184,208
Net Position at Beginning of Year	1,379,684
Net Position at End of Year	$1,563,892

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Cash Flow
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities
	Internal Service
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Interfund Charges	$3,296,623
Cash Payments for Goods and Services	(25,073)
Cash Payments for Claims	(3,027,768)
Net Cash from Operating Activities	243,782
Cash and Cash Equivalents at Beginning of Year	1,693,015
Cash and Cash Equivalents at End of Year	$1,936,797
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	$184,208
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
(Increase) Decrease in Assets:	
Intergovernmental Receivable	18,969
Interfund Receivable	(247,954)
Increase (Decrease) in Liabilities:	
Claims Payable	288,559
Total Adjustments	59,574
Net Cash from Operating Activities	$243,782

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Description of the District

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

The District was established in 1965 through the consolidation of existing land areas and school districts. The District serves an area of approximately 104 square miles. It is located in Ross County, and includes all of the Village of Kingston and portions of Green North, Green South, Springfield, and Colerain Townships. It is staffed by 53 non-certificated employees, 87 certificated full time teaching personnel and 5 administrative employees who provide services to 1268 students and other community members. The District currently operates one instructional building.

Reporting Entity

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

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

The District participates in seven organizations, five of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META), the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, Coalition of Rural and Appalachian Schools, South Central Ohio Insurance Consortium, the School Comp Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

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

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

In addition to the liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property and income taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue and deferred inflows of resources–income taxes are reported only on the governmental funds Balance Sheet, and represent receivables which will not be collected within the available period. For the District unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on long term debt and lease obligations which is recorded when due and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employer resignations and terminations. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2023 amounted to $43,213 which includes $8,291 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the District for capital improvements. See Note 22 for additional information regarding set-asides.

I. Capital Assets

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	30 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	4 - 8 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

K. Pensions/OPEB

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

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and special termination of benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Leases payable and financed purchases payable are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefits payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for music and athletic programs and federal and state grants restricted to expenditures for specified purposes.

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

N. Fund Balances

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

> ***Nonspendable*** – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.
>
> ***Restricted*** – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.
>
> ***Committed*** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the statement of activities. The District had no such transactions for fiscal year 2023.

Short term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

R. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any revisions that alter the total of any object appropriation must be approved by the Board of Education.

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

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

NOTE 3 - NEW GASB PRONOUNCEMENTS

For the fiscal year ended June 30, 2023, the District has implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 improves financial reporting by establishing the definitions of public-private and public-public partnership arrangements and availability payment arrangements as well as provides uniform guidance on accounting and financial reporting for transactions that meet the definitions. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

GASB Statement No. 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement also enhances the relevance and reliability of the financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and discloses essential information about the arrangement. The note disclosures also allow the users to understand the scale and important aspects of the SBITA activities and evaluate the obligations and assets resulting from the SBITAs. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the District.

NOTE 4 – ACCOUNTABILITY

At June 30, 2023, the following funds had a deficit fund balance.

Fund	Amount
Nonmajor Special Revenue Funds:	
Chapter I	$11,647
Title VI-R	4,398

The deficit in this fund resulted from the application of generally accepted accounting principles. The General Fund is liable for any deficit in a fund and provides transfers when cash is needed, rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

4. Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

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

Net Change in Fund Balance	
GAAP Basis	$410,858
Adjustments:	
Revenue Accruals	(247,979)
Expenditure Accruals	(6,013)
Funds Budgeted Elsewhere	26,765
Encumbrances	(359,972)
Budget Basis	($176,341)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio);

NOTE 6 - <u>DEPOSITS AND INVESTMENTS</u> - (Continued)

7. 8Certain 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.

8. Time certificates of deposit or savings or deposits accounts, including, but not limited to, passbook accounts.

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

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

At June 30, 2023, the District's internal service fund had a balance of $1,738,506 with fiscal agents, South Central Ohio Insurance Consortium (SCOIC), a jointly governed organization (see Note 20). The balance held by SCOIC in pooled accounts which are representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for SCOIC as a whole may be obtained from the fiscal agent, Bloom-Carroll Local School District, 5240 Plum Road, Carroll, Ohio 43112.

<u>Deposits:</u> Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2023, all of the District's bank balance of $6,692,850 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the District's name.

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

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

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

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utility) located in the District. Real property tax revenue received in calendar 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022 and are collected in 2023 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Ross County. The Ross County Auditor periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023 are available to finance fiscal year 2023 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, 2023 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, 2023 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as an advance at June 30, 2023 were $507,716 for the General Fund.

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$226,893,650	86.23%	$275,356,400	87.66%
Public Utility Personal	36,226,780	13.77%	38,758,730	12.34%
Total Assessed Value	$263,120,430	100.00%	$314,115,130	100.00%
Tax rate per $1,000 of assessed valuation	$29.30		$29.30	

NOTE 8 - SCHOOL INCOME TAXES

The District currently benefits from a 0.75% income tax, which is assessed on earned income only for all residents of the District. The District apportions all the proceeds to the General Fund. During fiscal year 2023, the District generated $2,026,634 from the school income tax.

NOTE 9 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Enterprise Zone Program with the taxing districts of the District. The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Within the taxing districts of the District, Ross County has entered into such an agreement. The District is not receiving any amounts from this other government in association with the forgone property tax revenue. Under this agreement the District's property taxes were reduced by approximately $175,437.

NOTE 10 - RECEIVABLES

Receivables at June 30, 2023 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables is as follows:

Fund	Amount
General	$45,450
Other Governmental Funds:	
ESSER	9,705
Chapter I	18,584
Title VI-R	6,233
Total Other Governmental Funds	34,522
Total Intergovernmental Receivables	$79,972

NOTE 11 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2023 follows:

Asset Category	Balance at June 30, 2022	Additions	Deductions	Balance at June 30, 2023
Nondepreciable Capital Assets:				
Land	$140,210	$0	$0	$140,210
Total Nondepreciable Capital Assets	140,210	0	0	140,210
Depreciable Capital Assets:				
Land Improvements	418,118	0	0	418,118
Buildings and Improvements	19,340,365	0	0	19,340,365
Furniture, Fixtures and Equipment	2,986,832	1,402	0	2,988,234
Vehicles	1,375,529	161,195	0	1,536,724
Total Depreciable Capital Assets	24,120,844	162,597	0	24,283,441
Total Capital Assets	24,261,054	162,597	0	24,423,651
Accumulated Depreciation:				
Land Improvements	(375,008)	(18,035)	0	(393,043)
Buildings and Improvements	(8,545,294)	(424,116)	0	(8,969,410)
Furniture, Fixtures and Equipment	(2,344,374)	(52,474)	0	(2,396,848)
Vehicles	(952,587)	(63,974)	0	(1,016,561)
Total Accumulated Depreciation	(12,217,263)	(558,599)	0	(12,775,862)
Depreciable Capital Assets, Net	11,903,581	(396,002)	0	11,507,579
Total Net Capital Assets	$12,043,791	($396,002)	$0	$11,647,789

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$218,699
Special	39,741
Support Services:	
Pupils	65,793
Instructional Staff	9,880
Administration	32,687
Fiscal	10,043
Operations and Maintenance	63,999
Pupil Transportation	69,839
Central	14,372
Operation of Non-Instructional Services	29,610
Extracurricular Activities	3,936
Total Depreciation Expense	$558,599

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2023, the District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 21). Insurance coverage provided includes the following:

Description	Amount
Property and Automobile Liability:	
Building and Contents ($1,000 deductible)	$50,564,554
Automobile ($250 - 1,000 deductible)	3,000,000
Education Pollution Certificate ($25,000-$500,000 deductible):	
Pollution - Each Incident	1,000,000
Pollution - Aggregate Limit - Each Named Member	1,000,000
Pollution - Aggregate Limit - All Members Combined	5,000,000
Educational General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	3,000,000
Personal and Advertising Injury – Each Offense Limit	3,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products - Completed Operations Limit	3,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	5,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Security and Law Enforcement Liability Coverage Form	
Security and Law Enforcement - Each Occurrence, Offence or Sexual Abuse Offense Limit	3,000,000
Security and Law Enforcement - Aggerate Limit	5,000,000
Educational Legal Liability Coverage ($2,500 deductible):	
Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000
Non-Monetary Relief Defense Aggregate	100,000

NOTE 12 - RISK MANAGEMENT - (Continued)

Violent Act Liability:	
Violent Act General Aggregate Limit	$1,000,000
Death Benefit Limit - Per Member	25,000
Death Benefit Aggregate Limit	1,000,000
Medical Expense Aggregate Limit	25,000
Cyber Policy Liability ($100,000, 8 hours):	
Member Certificate Aggregate Limit	1,000,000
Policy Aggregate - All members Combined Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Certain coverages were reviewed between years and adjusted where deemed appropriate.

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

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

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

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

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

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the District. The District had $1,738,506 cash balance with the fiscal agent at June 30, 2023. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2023, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

NOTE 12 - RISK MANAGEMENT - (Continued)

The claims liability of $319,500 supported at June 30, 2023 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2022	$363,700	$2,416,607	$2,448,007	$332,300
2023	332,300	3,316,327	3,027,768	620,859

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The 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 liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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 it 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 of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries for 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The District's contractually required contribution to SERS was $314,064 for fiscal year 2023. Of this amount, none is reported as an intergovernmental payable.

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 after termination of employment at age 50 or later.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 that 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. For the fiscal year ended June 30, 2023, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $891,008 for fiscal year 2023. Of this amount, $146,628 is reported as an intergovernmental payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05172150%	0.04815247%	
Prior Measurement Date	0.05311130%	0.05022891%	
Change in Proportionate Share	-0.00138980%	-0.00207644%	
Proportionate Share of the Net Pension Liability	$2,797,501	$10,704,355	$13,501,856
Pension Expense	$141,960	$1,117,495	$1,259,455

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$113,301	$137,028	$250,329
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	0	372,487	372,487
Changes of Assumptions	27,604	1,280,989	1,308,593
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	30,202	18,770	48,972
District Contributions Subsequent to the Measurement Date	314,064	891,008	1,205,072
Total Deferred Outflows of Resources	$485,171	$2,700,282	$3,185,453
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$18,365	$40,948	$59,313
Net Differences between Projected and Actual Investment Earnings on Pension Plan Investments	97,621	0	97,621
Changes of Assumptions	0	964,217	964,217
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	52,212	368,098	420,310
Total Deferred Inflows of Resources	$168,198	$1,373,263	$1,541,461

$1,205,072 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	$15,265	($88,576)	($73,311)
2025	(35,132)	(170,464)	(205,596)
2026	(139,451)	(390,546)	(529,997)
2027	162,227	1,085,597	1,247,824
	$2,909	$436,011	$438,920

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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses	7.00 percent net of system expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2022 and 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.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The discount rate for 2021 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 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 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	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	$4,117,788	$2,797,501	$1,685,177

Changes Between the Measurement Date and the Reporting Date Cost-of-Living Adjustments was increased from 2.00% to 2.50% for calendar year 2023.

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50 percent	2.50 percent
Projected salary increases	8.50 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	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.00 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-Retirement mortality rates for 2022 are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Post-retirement mortality rates for healthy retirees for 2021 were based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 Real Rate of Return**
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's 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, 2022, and was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. 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, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the 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 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:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	$16,170,383	$10,704,355	$6,081,787

Changes Between the Measurement Date and the Reporting Date – Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. 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 OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. 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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation of covered payroll 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 2023, 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 2023, the District's surcharge obligation was $34,978.

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 District's contractually required contribution to SERS was $34,978 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2023, STRS did not allocate any employer contributions to post-employment health care.

NOTE 14 - DEFINED BENEFIT OPEB PLANS– (Continued)

Net OPEB Liability

The net OPEB liability(asset) was measured as of June 30, 2022, and the total OPEB liability(asset) used to calculate the net OPEB liability(asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05244550%	0.04815247%	
Prior Measurement Date	0.05416230%	0.05022891%	
Change in Proportionate Share	-0.00171680%	-0.00207644%	
Proportionate Share of the Net OPEB Liability/(Asset)	$736,340	($1,246,828)	($510,488)
OPEB Expense (Gain)	($52,987)	($217,352)	($270,339)

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$6,190	$18,077	$24,267
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,827	21,704	25,531
Changes in Assumptions	117,124	53,109	170,233
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	69,728	11,183	80,911
Contributions Subsequent to the Measurement Date	34,978	0	34,978
Total Deferred Outflows of Resources	$231,847	$104,073	$335,920
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$471,019	$187,248	$658,267
Changes in Assumptions	302,273	884,125	1,186,398
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	78,572	1,749	80,321
Total Deferred Inflows of Resources	$851,864	$1,073,122	$1,924,986

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

$34,978 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	($136,482)	($281,428)	($417,910)
2025	(142,610)	(277,078)	(419,688)
2026	(133,669)	(133,734)	(267,403)
2027	(86,169)	(56,017)	(142,186)
2028	(57,221)	(72,978)	(130,199)
Thereafter	(98,844)	(147,814)	(246,658)
	($654,995)	($969,049)	($1,624,044)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS– (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.40 percent	2.40 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.00 percent net of investmen expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	3.69 percent	1.92 percent
Prior Measurement Date	1.92 percent	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	4.08 percent	2.27 percent
Prior Measurement Date	2.27 percent	2.63 percent
Medical Trend Assumption		
Medicare	7.00 to 4.40 percent	5.125 to 4.40 percent
Pre-Medicare	7.00 to 4.40 percent	6.75 to 4.40 percent

For 2022 and 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.

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. The most recent study covers fiscal years 2016 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.

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee 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 STRS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 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 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$914,546	$736,340	$592,480

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$567,850	$736,340	$956,415

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent	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	7.00 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	7.50 percent initial, 3.94 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-68.78 percent initial, 3.94 percent ultimate	-16.18 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial, 3.94 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	-5.47 initial, 3.94 percent ultimate	29.98 initial, 4 percent ultimate

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

For 2022, for healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, 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, 2022; valuation is based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. Actuarial assumptions used in the June 30, 2021; valuation is based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2015.

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022, and was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.00 percent was used to measure the total OPEB liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability/Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability/asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB 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 assumption. Also shown is the net OPEB liability/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	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Asset	($1,152,659)	($1,246,828)	($1,327,491)

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Asset	($1,293,264)	($1,246,828)	($1,188,214)

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Assumption Changes Since the Prior Measurement Date – The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date – Salary increase rates were undated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

NOTE 15 – EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Special Retirement Benefit

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

C. Life Insurance

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

D. Deferred Compensation

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

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2023 for its governmental activities were as follows:

	Principal Outstanding at June 30, 2022	Additions	Deductions	Principal Outstanding at June 30, 2023	Amount Due In One Year
Governmental Activities:					
Net Pension Liability:					
STRS	$6,422,218	$4,282,137	$0	$10,704,355	$0
SERS	1,959,653	837,848	0	2,797,501	0
Total Net Pension Liability	8,381,871	5,119,985	0	13,501,856	0
Net OPEB Liability:					
SERS	1,025,066	0	288,726	736,340	0
Total Net OPEB Liability	1,025,066	0	288,726	736,340	0
Lease Payable	103,413	0	37,841	65,572	40,577
Financed Purchase Agreement	2,504,000	0	279,000	2,225,000	288,000
Compensated Absences	1,021,833	375,582	384,924	1,012,491	73,947
Total Governmental Activities Long-Term Obligations	$13,036,183	$5,495,567	$990,491	$17,541,259	$402,524

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

The District's overall legal debt margin was $28,270,362 with an unvoted debt margin of $314,115 at June 30, 2023.

NOTE 17 – OTHER LONG-TERM OBLIGATIONS

Changes in the other long-term obligations of the District during the 2023 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at June 30, 2022	Additions	Deductions	Principal Outstanding at June 30, 2023	Amount Due In One Year
Governmental Activities:							
Financed Purchase Agreement	2019	4.09%	$2,504,000	$0	$279,000	$2,225,000	$288,000
Total Governmental Activities Other Long-Term Obligations			$2,504,000	$0	$279,000	$2,225,000	$288,000

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

NOTE 17 – OTHER LONG-TERM OBLIGATIONS - (Continued)

Principal and interest components of the schedules financed purchase agreement payments outstanding at June 30, 2023 are shown below.

Year Ending	Financed Purchase Agreement	
June 30	Principal	Interest
2024	$288,000	$69,865
2025	190,000	60,822
2026	196,000	54,856
2027	202,000	48,701
2028	208,000	42,359
2029-2033	1,141,000	109,742
Totals	$2,225,000	$386,345

NOTE 18 – LEASE - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2023:

Fiscal Year Ending June 30,	Lease Payments
2024	$42,625
2025	28,416
Minimum Lease Payments	71,041
Less: amount representing interest	(5,469)
Present value of minimum lease payments	$65,572

NOTE 19 – FUND BALANCES

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

As of June 30, 2023, fund balances are composed of the following:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaids	$1,876	$766	$2,642
Total Nonspendable	1,876	766	2,642
Restricted:			
Set-Asides	359,693	0	359,693
Special Revenues:			
Athletics	0	84,599	84,599
Food Service	0	204,154	204,154
Student Activities	0	51,704	51,704
Local Grants	0	9,857	9,857
State Grants	0	326,412	326,412
Federal Grants	0	69,263	69,263
Total Restricted	359,693	745,989	1,105,682
Future Commitments:			
Instruction	161,925	0	161,925
Support Services	198,047	0	198,047
Uniform School Supplies	32,107	0	32,107
Rotary	11,360	0	11,360
Public School Support	29,889	0	29,889
Future Appropriations	2,358,207	0	2,358,207
Total Assigned	2,791,535	0	2,791,535
Unassigned (Deficit)	1,405,756	(16,045)	1,389,711
Total Fund Balance	$4,558,860	$730,710	$5,289,570

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association (META Solutions)

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

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The Board works with META Solution's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META Solutions $93,856 for services provided during the fiscal year. Financial information can be obtained from the META Solutions office, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Pickaway-Ross Career and Technology Center

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

C. Great Seal Education Network of Tomorrow

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

D. South Central Ohio Insurance Consortium (SCOIC)

The SCOIC is a regional council of governments organized under Ohio Revised Code Section 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its members consisting of 16 entities within Fairfield, Fayette, Franklin, Hocking, Perry and Ross Counties. The governing board consists of the superintendent or other designees appointed by each of the members of the SCOIC. The participating members pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. The District does not have an ongoing interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for their employees. The District joined the SCOIC on January 1, 2012. To obtain financial information, write to the Bloom Carroll Local School District, Travis Bigam, who serves as Treasurer, at 5240 Plumb Road NW, Carroll, Ohio 43112.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

E. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within the county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

NOTE 21 - INSURANCE PURCHASING POOLS

A. SchoolComp Worker's Compensation Group Rating Plan

The District participates in a workers' compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. Sedwick is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program for 2023. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

B. Ohio School Plan

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters. During fiscal year 2023, the District contracted with the Ohio School Plan for liability, property insurance and fleet insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. Certain coverages were reviewed between years and adjusted where deemed appropriate.

Ohio School Plan - The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 307 Ohio schools ("Members").

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

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. The Plan retains the first $150,000 of property losses subject to an annual aggregate. The Plan retains the first $150,000 of casualty losses. (See the Plan's audited financial statements on the Auditor of State of Ohio's website for more details.) The individual members are responsible for their self–retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2022 and 2021.

NOTE 21 - INSURANCE PURCHASING POOLS **-** (Continued)

	2022	2021
Assets	$ 17,878,913	$ 16,691,066
Liabilities	11,253,693	7,777,013
Members' equity	6,625,220	8,914,053

You can read the complete audited financial statements for The Ohio School Plan at Auditor of State of Ohio's website, https://ohioauditor.gov/ under "*Audit Search*".

NOTE 22 - STATUTORY SET-ASIDES

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

The following changes occurred in the District's set-aside accounts during fiscal year 2023:

	Capital Improvements
Set Aside Balance June 30, 2022	$766,147
Current Year Set Aside Requirement	297,119
Current Year Qualifying Disbursements	(703,573)
Set Aside Balance as of June 30, 2023	$359,693
Set Aside Balance Carried Forward to FY24	$359,693

NOTE 23 – ENCUMBRANCE COMMITMENTS

At June 30, 2023, the District had encumbrance commitments in the Governmental Funds as follows:

Major Fund	
General	$359,972
Nonmajor Funds:	
Food Service	210
Student Activities	425
Athletics	34,173
Miscellaneous State Grants	96,788
Title VIB	61,500
Extended Learning	508
Elementary Library	1,575
Miscellaneous Federal Grants	0
Total Nonmajor Funds	195,179
Total Encumbrances	$555,151

NOTE 24 - OHIO DEPARTMENT OF EDUCATION FOUNDATION FUNDING

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2023 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2023 financial statements was insignificant.

NOTE 25 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2023, if applicable, cannot be determined at this time.

B. Litigation

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

	2023	2022	2021	2020
School Employees Retirement System of Ohio				
District's Proportion of the Net Pension Liability	0.51721500%	0.05311130%	0.05156360%	0.05391610%
District's Proportionate Share of the Net Pension Liability	$2,797,501	$1,959,653	$3,410,525	$3,225,895
District's Covered Payroll	$1,926,514	$2,096,914	$2,002,971	$1,926,514
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.21%	93.45%	170.27%	167.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liabili	75.82%	82.86%	68.55%	70.85%
State Teachers Retirement System of Ohio				
District's Proportion of the Net Pension Liability	0.04815247%	0.05022891%	0.05018481%	0.05118498%
District's Proportionate Share of the Net Pension Liability	$10,704,355	$6,422,218	$12,142,938	$11,319,251
District's Covered Payroll	$6,457,686	$6,083,486	$6,089,057	$6,147,543
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165.76%	105.57%	199.42%	184.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liabili	78.88%	87.80%	75.48%	77.40%

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.05324600%	0.05022490%	0.04957934%	0.05129650%	0.0538100%	0.0538100%
$3,049,497	$3,000,827	$3,618,398	$2,927,028	$2,701,582	$3,174,397
$1,808,571	$1,661,657	$1,727,829	$2,111,578	$1,897,576	$1,385,393
168.61%	180.59%	209.42%	138.62%	142.37%	229.13%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
0.05079417%	0.04995078%	0.04904243%	0.04877580%	0.04971763%	0.04971763%
$11,168,498	$11,865,915	$16,415,980	$13,480,204	$12,093,048	$14,405,160
$6,133,086	$5,519,943	$5,009,200	$5,280,307	$5,662,277	$5,654,500
182.10%	214.96%	327.72%	255.29%	213.57%	254.76%
77.31%	75.30%	66.80%	72.09%	74.71%	69.30%

ZANE TRACE LOCAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of Net OPEB Liablity/Asset
Last Seven Fiscal Years (1)

	2023	2022	2021	2020
School Employees Retirement System of Ohio				
District's Proportion of the Net OPEB Liability	0.05244550%	0.05416230%	0.05237430%	0.05462700%
District's Proportionate Share of the Net OPEB Liability	$736,340	$1,025,066	$1,138,265	$1,373,754
District's Covered Payroll	$1,926,514	$2,096,914	$2,002,971	$1,926,514
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.22%	48.88%	56.83%	71.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%
State Teachers Retirement System of Ohio				
District's Proportion of the Net OPEB Liability	0.04815247%	0.05022891%	0.05018481%	0.05118498%
District's Proportionate Share of the Net OPEB Asset	$1,246,828	$1,059,035	$881,997	$847,746
District's Proportionate Share of the Net OPEB Liability	$0	$0	$0	$0
District's Covered Payroll	$6,457,686	$6,083,486	$6,089,057	$6,147,543
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(19.31%)	(17.41%)	(14.48%)	(13.79%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.73%	174.70%	182.13%	174.74%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.05320770%	0.05050760%	0.04957934%
$1,476,125	$1,355,491	$1,413,195
$1,808,571	$1,661,657	$1,727,829
81.62%	81.57%	81.79%
13.57%	12.46%	11.49%
0.05079417%	0.04995078%	0.04904234%
$816,211	$0	$0
$0	$1,948,895	$2,622,802
$6,133,086	$5,519,943	5,009,200
(13.31%)	35.31%	52.36%
176.00%	47.10%	37.30%

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

	2023	2022	2021	2020
Pension				
Contractually Required Contributions	$314,064	$269,712	$293,568	$280,416
Contributions in Relation to the Contractually Required Contributions	(314,064)	(269,712)	(293,568)	(280,416)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$2,243,314	$1,926,514	$2,096,914	$2,002,971
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
OPEB				
Contractually Required Contributions (1)	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contributions	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$2,243,314	$1,926,514	$2,096,914	$2,002,971
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Excludes surcharge amount.

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
$260,079	$244,157	$232,632	$241,896	$278,306	$263,004
(260,079)	(244,157)	(232,632)	(241,896)	(278,306)	(263,004)
$0	$0	$0	$0	$0	$0
$1,926,514	$1,808,571	$1,661,657	$1,727,829	$2,111,578	$1,897,576
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
$9,633	$9,043	$0	$0	$17,315	$2,657
(9,633)	(9,043)	0	0	(17,315)	(2,657)
$0	$0	$0	$0	$0	$0
$1,926,514	$1,808,571	$1,661,657	$1,727,829	$2,111,578	$1,897,576
0.50%	0.50%	0.00%	0.00%	0.82%	0.14%

ZANE TRACE LOCAL SCHOOL DISTRICT

Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2023	2022	2021	2020
Pension				
Contractually Required Contributions	$891,008	$904,076	$851,688	$852,468
Contributions in Relation to the Contractually Required Contributions	(891,008)	(904,076)	(851,688)	(852,468)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$6,364,343	$6,457,686	$6,083,486	$6,089,057
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
OPEB				
Contractually Required Contributions	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contributions	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$6,364,343	$6,457,686	$6,083,486	$6,089,057
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
$860,656	$858,632	$772,792	$701,288	$739,243	$736,096
(860,656)	(858,632)	(772,792)	(701,288)	(739,243)	(736,096)
$0	$0	$0	$0	$0	$0
$6,147,543	$6,133,086	$5,519,943	$5,009,200	$5,280,307	$5,662,277
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
$0	$0	$0	$0	$0	$56,662
0	0	0	0	0	(56,662)
$0	$0	$0	$0	$0	$0
$6,147,543	$6,133,086	$5,519,943	$5,009,200	$5,280,307	$5,662,277
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms:
2014-2017: There were no changes in benefit terms for the period.

2018: The following were the most significant changes in benefit terms:
- The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018.
- Under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar year 2018, 2019 and 2020.

2019: The following were the most significant changes in benefit terms:
- Under Senate Bill 8, the Board enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2020-2023: There were no changes in benefit terms for the period.

Changes in assumptions:
2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- 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% of male rates, and 110% of female rates.

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.00% to 2.4%
- Payroll Growth Assumption was reduced from 3.5% to 3.25%

NOTE 1 – <u>SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO</u> *(Continued)*

- Mortality among active members was updated to the following:
    - PUB 2010 General Employee Amount Weighted Below Medium Healthy Retiree Mortality Table with fully generational projection and a five year age set-forward 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:
    - PUB 2010 General Employee Amount Weighted Below Medium Healthy Retiree Mortality Table with fully generational projection with Scale BB, 105.5% of male rates, and 122.5% of female rates.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

<u>Other Postemployment Benefits</u>

Changes in benefit terms:
2017-2023: There were no changes in benefit terms for the period.

Changes in assumptions:
2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent.
- Discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO *(Continued)*

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.00% to 2.4%
- Payroll Growth Assumption was reduced from 3.5% to 1.75%
- Mortality among active members was updated to the following:
  - PUB 2010 General Employee Amount Weighted Below Medium Healthy Retiree Mortality Table with fully generational projection and a five year age set-forward 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:
  - PUB 2010 General Employee Amount Weighted Below Medium Healthy Retiree Mortality Table with fully generational projection with Scale BB, 105.5% of male rates, and 122.5% of female rates.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms:
2017-2023: There were no changes in benefit terms for the period.

Changes in assumptions:
2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Long term expected rate of return was reduced from 7.75% to 7.45%,
- Inflation assumption was lowered from 2.75% to 2.50%,
- Payroll growth assumption was lowered to 3.00%,
- Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.
- Healthy and disabled mortality assumptions were updated to the following:
  - RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2022: Long term expected rate of return was reduced from 7.45% to 7.00%.

2023: Projected salary increases beginning rate changed from 12.50% to 8.50%.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO *(Continued)*

Other Postemployment Benefits

Changes in benefit terms:
2017: There were no changes in benefit terms for the period.

2018: The following were the most significant changes in benefit terms:
- The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service.
- Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries
- All remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements is extended to January 2020.

2019: The following were the most significant changes in benefit terms:
- The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019.
- The non-Medicare frozen subsidy base premium was increased effective January 1, 2019.
- All remaining Medicare Part B premium reimbursements will be discontinued beginning January 2021.

2020: The following were the most significant changes in benefit terms:
- The subsidy multiplier for non-Medicare benefit recipients was increased from 1.944% to 1.984% per year of service effective January 1, 2020.
- The non-Medicare frozen subsidy base premium was increased effective January 1, 2020.
- Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare Plan.
- Medicare Part B monthly reimbursements elimination date was postponed to January 1, 2021.

2021: The following were the most significant changes in benefit terms:
- The subsidy multiplier for non-Medicare benefit recipients was increased from 1.984% to 2.055% per year of service effective January 1, 2021.
- The non-Medicare frozen subsidy base premium was increased effective January 1, 2021.
- Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare Plan.
- Medicare Part B monthly reimbursements elimination date was postponed indefinitely.

2022 - 2023: There were no changes in benefit terms for the period.

Changes in assumptions:
2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO *(Continued)*

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Discount rate was increased from 3.26% to 4.13%
- Long term expected rate of return was reduced from 7.75% to 7.45%.
- Valuation year per capita health care costs were updated, and the salary scale was modified.
- The percentage of future retirees electing each option was updated
- The percentage of future disabled retirees and terminated vested participants electing health coverage were decreased.
- The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2019: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45%
- Valuation year per capita health care costs were updated

2020-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2022: Discount rate was reduced from 7.45% to 7.00%.

2023: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Projected salary increases beginning rate changed from 12.50% to 8.50%.
- Health care cost trend rates were modified for medical and prescription drug costs.

Zane Trace Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Identifying Number	Federal Assistance Listing Number	Federal Expenditures
United States Department of Agriculture			
Passed through the Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	N/A	10.555	$42,849
Cash Assistance:			
School Breakfast Program	N/A	10.553	58,213
National School Lunch Program	N/A	10.555	256,885
Total Child Nutrition Cluster			357,947
COVID-19 Pandemic EBT Administrative Costs	N/A	10.649	628
Total United States Department of Agriculture			**358,575**
United States Department of Education			
Passed through the Ohio Department of Education			
Special Education Cluster (IDEA):			
Special Education-Grants to States	N/A	84.027	204,002
Special Education-Grants to States-Parent Mentor	N/A	84.027	18,530
COVID-19 Special Education-Grants to States-ARP	N/A	84.027X	2,943
Special Education-Preschool Grants	N/A	84.173	7,393
COVID-19 Special Education-Preschool Grants-ARP	N/A	84.173X	4,973
Total Special Education Cluster (IDEA)			237,841
Title I Grants to Local Educational Agencies	N/A	84.010	234,317
Title I Grants to Local Educational Agencies-Expanding Opportunities	N/A	84.010	2,652
Total Title I Grants to Local Educational Agencies			236,969
COVID-19 Education Stabilization Fund-ESSER II	N/A	84.425D	404,350
COVID-19 Education Stabilization Fund-ESSER III	N/A	84.425U	215,989
COVID-19 Education Stabilization Fund-Homelessness Round I	N/A	84.425W	55,695
COVID-19 Education Stabilization Fund-Homelessness Round II	N/A	84.425W	3,190
Total COVID-19 Education Stabilization Fund			679,224
Supporting Effective Instruction State Grants	N/A	84.367	38,621
Student Support and Academic Enrichment Program	N/A	84.424	22,812
Total United States Department of Education			**1,215,467**
Total Federal Financial Assistance			**$1,574,042**

N/A - pass through entity number not available.

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

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Zane Trace Local School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or, where applicable, cash flows of the District.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 C – Indirect Cost Rate

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

Note D – Subrecipients

The District did not provide funds to subrecipients during the audit period.

Note E – Child Nutrition Cluster

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

Note F – Food Donation Program

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

Note G – 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 District transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amount Transferred
Education Stabilization Fund - ESSER II	84.425D	$1,746

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

We have audited, in accordance with the 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 major fund and the aggregate remaining fund information of Zane Trace Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio
April 5, 2024

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the compliance of Zane Trace Local School District, Ross County, Ohio (the 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 each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Assistance Listing (AL) No. 84.425 Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the AL No. 84.425 Education Stabilization Fund for the year ended June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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.

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

We are required to be independent of the 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 and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Assistance Listing (AL) No. 84.425 Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing No. 84.425 Education Stabilization Fund as described in finding number 2023-002 for Special Tests and Provisions and 2023-003 for Equipment and Real Property Management.

Compliance with such requirements is necessary, in our opinion, for the 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 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 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 District's compliance with the requirements of each 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 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 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 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 District's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be material weaknesses.

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 District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio
April 5, 2024

Section I – Summary of Auditor's Results

Financial Statements		
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?	Yes
	Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major program(s):		
	Material weakness(es) identified?	Yes
	Significant deficiency(ies)?	None reported
Type of auditor's report issued on compliance for major programs:		Qualified AL #84.425 Education Stabilization Fund, Unmodified AL #10.553 and #10.555 Child Nutrition Cluster
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); Child Nutrition Cluster: School Breakfast Program (AL #10.553) and National School Lunch Program (AL #10.555)
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 2023-001 –Material Weakness – Financial and Federal Schedule Reporting

A monitoring system by the District should be in place to prevent or detect misstatements for the fair presentation of the District's financial statements and federal schedule.

During testing, we found that the District did not properly classify unavailable revenue for delinquent property taxes and income taxes. Additionally, we found that the District did not properly calculate receivables for intergovernmental grants. We found misclassifications in program revenue calculations and net position balances as well as errors in cash and cash equivalents with fiscal agents and claims payable balances. We found that the District overpaid principal on its financed purchase agreement and that a refund was issued subsequent to year-end; however, this overpayment was not reported as a receivable, which resulted in overstated expenditures/expenses. We found that internal service fund revenues were not properly classified and that unrecorded accounts payables and interfund receivables/payables existed. We also identified unrecorded capital assets and corresponding deletions.

Finding 2023-001 –Material Weakness – Financial and Federal Schedule Reporting (Continued)

Additionally, there were various adjustments to the schedule of expenditures of federal awards, including addition of omitted Assistance Listing Numbers and correction of programs presented under incorrect Assistance Listing Numbers; removal of a program improperly included under the Child Nutrition Cluster; inclusion of transfers between program years as expenditures; and omission of programs from the schedule.

We recommend the District implement additional monitoring procedures and work with its outside consultant to ensure that the financial statements and the schedule of expenditures of federal awards are properly presented.

Client Response:
See accompanying corrective action plan.

Section III – Federal Award Findings and Questioned Costs

ALN Title and Number	COVID-19 Education Stabilization Fund, AL #84.425D, #84.425U, #84.425W		
Federal Award Number and Year	2023		
Federal Agency	United States Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Finding 2023-002 – 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.

Finding 2023-002 – Noncompliance/Material Weakness – Special Tests and Provisions – Wage Rate Requirements (Continued)

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 insures that the clauses required by Section 5.5 and the appropriate wage determination of the Secretary of Labor are contained in such contracts.

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 fiscal year 2023, the District undertook two projects that were subject to prevailing wage requirements. A formal project agreement containing prevailing wage language could not be provided, further certified payrolls were not provided for either project.

Without proper controls over wage rate requirements, there is an increased risk that the 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 District should establish (or perform existing) controls to include the required clauses of 29 CFR 5.5, particularly those concerning prevailing wage rate 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 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 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.

Client Response:
See accompanying corrective action plan.

ALN Title and Number	COVID-19 Education Stabilization Fund, AL #84.425D, #84.425U, #84.425W		
Federal Award Number and Year	2023		
Federal Agency	United States Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Finding 2023-003 – Noncompliance/Material Weakness – Equipment and Real Property Management

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000 (2 CFR 200.1_Equipment). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR 200.313(a)).

Non-Federal Entities Other Than States

Non-Federal entities other than States must follow 2 CFR 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR 200.313(d)(1)).
3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR 200.313(d)(4)).
6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR 200.313(d)(5)).
7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of $5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency's participation in total project costs (2 CFR 200.313(e).

While testing equipment acquisitions acquired using ESSER funds, instances were noted where equipment purchased and other capital projects were not added to the District's records.

Finding 2023-003 – Noncompliance/Material Weakness – Equipment and Real Property Management (Continued)

Without proper controls over equipment requirements, there is an increased risk that the District is 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 District should establish (or perform existing) controls to include the required clauses of 2 CFR 200.313 to ensure equipment is being properly safeguarded and tracked. Further, the District should properly add the equipment acquisition purchased from ESSER funds to its capital asset records in accordance with federal guidelines.

Client Response:
See accompanying corrective action plan.

ZANE TRACE LOCAL SCHOOL DISTRICT

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

Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
Finding 2023-001	We are going to work with an outside consultant to ensure the financial statements and schedule of federal rewards are accurate. Hired a federal grants coordinator to better monitor federal grant receivables and expenditure coding.	7/1/24	Nick Overly, Treasurer
Finding 2023-002	Establishing a better process for federal contract procurement and prevailing wage requirements. Working with outside consultant to ensure vendors meet the federal compliance requirements as well.	7/1/24	Nick Overly, Treasurer
Finding 2023-003	Staff members have received updated training to become more familiar with the inventory process to ensure equipment is properly tracked.	7/1/24	Nick Overly, Treasurer

ZANE TRACE LOCAL SCHOOL DISTRICT

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

Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
For the Fiscal Year Ended June 30, 2023

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
Finding 2022-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2023-001
Finding 2022-002	Material Weakness/ Noncompliance – Child Nutrition Cluster – Procurement, Suspension and Debarment	Yes	

OHIO AUDITOR OF STATE
KEITH FABER

ZANE TRACE LOCAL SCHOOL DISTRICT

ROSS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/23/2024

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