



OHIO AUDITOR OF STATE
KEITH FABER



**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2022**

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ROSS COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

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

To the Governing Body:

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 the Zane Trace Local School District, Ross County, Ohio (District), as of and for the year ended June 30, 2022, 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 the Zane Trace Local School District, Ross County, Ohio as of June 30, 2022, 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 the 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. 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.

Emphasis of Matter

As discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of 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 June 7, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Keith Faber
Auditor of State
Columbus, Ohio
June 7, 2023

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ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

The discussion and analysis of the Zane Trace Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2022. 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, 2022 by \$1,999,174. Of this amount, \$11,157,351 represents net investment in capital assets and net position amounts restricted for specific purposes. The remaining deficit of \$9,158,177 represents unrestricted net position.
- In total, net position of governmental activities increased by \$2,630,560 which represents a 416.63 percent increase from 2021.
- General revenues accounted for \$13,183,276 or 76.03 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$4,156,632 or 23.97 percent of total revenues of \$17,339,908.
- The District had \$14,709,348 in expenses related to governmental activities; only \$4,156,632 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 \$13,183,276 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 \$14,984,477 in revenues and \$14,272,460 in expenditures in fiscal year 2022.

Using this Annual Report

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund begins on page 14. 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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

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

Governmental Funds

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

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

Proprietary Fund

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

Notes to the Basic Financial Statements

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole, showing assets, deferred outflows, liabilities, deferred inflows and the difference between them (net position). Table 1 provides a summary of the District's net position for 2022 compared to fiscal year 2021:

Table 1
Net Position at Year End

	Governmental Activities		
	2022	2021	Change
<u>Assets:</u>			
Current and Other Assets	\$14,113,182	\$12,432,730	\$1,680,452
Capital Assets, Net	12,043,791	12,108,063	(64,272)
Net OPEB Asset	1,059,035	881,997	177,038
<i>Total Assets</i>	27,216,008	25,422,790	1,793,218
<u>Deferred Outflows of Resources:</u>			
Pension	3,355,671	2,838,679	516,992
OPEB	422,348	469,251	(46,903)
<i>Total Deferred Outflows of Resources</i>	3,778,019	3,307,930	470,089
<u>Liabilities:</u>			
Current and Other Liabilities	2,177,642	2,010,077	167,565
<i>Long-Term Liabilities:</i>			
Due Within One Year	359,474	344,060	15,414
Due in More than One Year:			
Net Pension Liability	8,381,871	15,553,463	(7,171,592)
Net OPEB Liability	1,025,066	1,138,265	(113,199)
Other Amounts	3,269,772	3,521,935	(252,163)
<i>Total Liabilities</i>	15,213,825	22,567,800	(7,353,975)
<u>Deferred Inflows of Resources:</u>			
Property Taxes	5,163,535	4,820,035	343,500
Pension	6,777,281	295,056	6,482,225
OPEB	1,840,212	1,679,215	160,997
<i>Total Deferred Inflows of Resources</i>	13,781,028	6,794,306	6,986,722
<u>Net Position:</u>			
Net Investment in Capital Assets	9,434,378	9,196,570	237,808
Restricted	1,722,973	2,095,905	(372,932)
Unrestricted	(9,158,177)	(11,923,861)	2,765,684
<i>Total Net Position</i>	\$1,999,174	(\$631,386)	\$2,630,560

ZANE TRACE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

(Unaudited)

The net pension liability (NPL) and net other postemployment benefits liability (OPEB) are the largest liabilities reported by the District at June 30, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

(Unaudited)

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

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

Current and other assets increased \$1,680,452 from fiscal year 2021 due primarily to an increase in cash and cash equivalents and income taxes receivable. Capital assets decreased by \$64,272 or 0.53 percent.

Current (other) liabilities increased by \$167,565 or 8.34 percent due mostly to an increase in accounts payable.

Long-term liabilities decreased by \$7,521,540 or 36.59 percent as the result of a decrease in net pension liability.

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

The balance of \$1,734,174 in restricted net position is subject to external restrictions on how they may be used.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2022 and provides a comparison to fiscal year 2021.

Table 2
Changes in Net Position

	Governmental Activities		
	2022	2021	Change
<u>Revenues:</u>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$988,141	\$1,709,275	(\$721,134)
Operating Grants and Contributions	3,168,491	2,294,527	873,964
<i>General Revenues:</i>			
Property Taxes	5,305,070	4,869,653	435,417
Income Taxes	1,942,648	1,857,390	85,258
Unrestricted Grants and Entitlements	5,624,842	6,171,997	(547,155)
Investment Earnings	3,540	13,107	(9,567)
Payment in Lieu of Taxes	700	0	700
Miscellaneous	306,476	587,518	(281,042)
Total Revenues	17,339,908	17,503,467	(163,559)

(Continued)

ZANE TRACE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

(Unaudited)

Table 2

Changes in Net Position (Continued)

	Governmental Activities		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
<i>Expenses:</i>			
<i>Instruction:</i>			
Regular	\$6,366,376	\$9,596,255	(\$3,229,879)
Special	1,794,835	1,766,362	28,473
Other	107,848	223,457	(115,609)
<i>Support Services:</i>			
Pupils	1,213,511	1,337,088	(123,577)
Instructional Staff	102,005	335,546	(233,541)
Board of Education	78,455	179,038	(100,583)
Administration	927,187	1,002,393	(75,206)
Fiscal	473,488	524,333	(50,845)
Operation and Maintenance of Plant	1,342,187	1,166,436	175,751
Pupil Transportation	856,850	896,091	(39,241)
Central	239,294	298,257	(58,963)
<i>Operation of Non-Instructional Services:</i>			
Food Services	542,486	530,311	12,175
Community Service	0	117	(117)
Extracurricular Activities	569,335	432,762	136,573
Interest and Fiscal Charges	95,491	106,143	(10,652)
<i>Total Expenses</i>	<u>14,709,348</u>	<u>18,394,589</u>	<u>(3,685,241)</u>
<i>Change in Net Position</i>	<u>2,630,560</u>	<u>(891,122)</u>	<u>3,521,682</u>
Net Position at Beginning of Year	<u>(631,386)</u>	<u>259,736</u>	<u>(891,122)</u>
Net Position at End of Year	<u><u>\$1,999,174</u></u>	<u><u>(\$631,386)</u></u>	<u><u>\$2,630,560</u></u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Pupils, and Administration. These programs account for 79.16 percent of the total governmental activities. Regular Instruction, which accounts for 43.28 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.20 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 9.12 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupils, which represents 8.25 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 6.30 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

The change in revenues consists of an increase of \$152,830 or 3.82 percent in program revenue from last year and a decrease of \$316,389 or 2.34 percent in general revenues. The increase in program revenues is due to an increase of \$873,964 or 38.09 percent in operating grants and contributions. The decrease in general revenues is due to a decrease of \$547,155 or 8.87 percent in unrestricted grants and entitlements.

The total expenses for governmental activities decreased \$3,685,241 or 20.03 percent and is primarily attributable to decreases in Regular Instruction, Instructional Staff, Pupils, and Board of Education. The large decrease 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 92.51 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 30.59 percent and intergovernmental revenue makes up 50.71 percent of the total revenue for the governmental activities in fiscal year 2022.

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 2022, the District received \$6,340,605 through the State's foundation program, which represents 36.57 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 56.22 percent of governmental activities program expenses. Support services expenses make up 35.58 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 2022 compared with fiscal year 2021. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Table 3

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
<i>Program Expenses:</i>				
Instruction	\$8,269,059	\$6,457,347	\$11,586,074	\$8,936,684
Support Services	5,232,977	4,004,331	5,739,182	5,016,678
Operation of Non-Instructional Services	542,486	(205,845)	530,428	86,059
Extracurricular Activities	569,335	201,392	432,762	245,223
Interest and Fiscal Charges	<u>95,491</u>	<u>95,491</u>	<u>106,143</u>	<u>106,143</u>
Total Expenses	<u>\$14,709,348</u>	<u>\$10,552,716</u>	<u>\$18,394,589</u>	<u>\$14,390,787</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of \$17,477,944 and expenditures of \$17,032,101.

Total governmental fund balance increased by \$445,843. The increase in fund balance for the year was most significant in the General Fund, which increased by \$712,017 due to revenues exceeding expenditures.

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 2022, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

(Unaudited)

For the General Fund, the final budget basis revenue was \$14,910,888 representing a \$229,100 decrease from the original budget estimates of \$15,139,988. The final budget reflected a 1.51 percent decrease from the original budgeted amount. Most of this difference was due to receiving less tuition and fees revenue than was originally estimated. For the General Fund, the final budget basis expenditures were \$18,323,979 representing an increase of \$2,112,137 from the original budget expenditures of \$16,211,842. The final budget reflected a 11.31 percent increase from the original budgeted amount. Most of this difference was due to the increase in operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the District had \$24,261,054 million invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, textbooks, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$12,217,263 million. Table 4 shows fiscal year 2022 balances compared to fiscal year 2021.

Table 4

Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$140,210	\$140,210
<i>Depreciable Capital Assets:</i>		
Land Improvements	418,118	418,118
Buildings and Improvements	19,504,991	19,504,991
Furniture, Fixtures and Equipment	2,822,206	2,741,966
Vehicles	1,375,529	1,317,267
<i>Total Capital Assets</i>	<u>24,261,054</u>	<u>24,122,552</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	375,008	356,962
Buildings and Improvements	8,545,294	8,627,589
Furniture, Fixtures and Equipment	2,344,374	2,097,707
Vehicles	952,587	932,231
<i>Total Accumulated Depreciation</i>	<u>12,217,263</u>	<u>12,014,489</u>
<i>Capital Assets, Net</i>	<u>\$12,043,791</u>	<u>\$12,108,063</u>

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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Debt Administration

At June 30, 2022, the District had \$2,607,413 in lease-purchase agreement obligations and capital leases outstanding with \$315,543 due within one year. Table 5 summarizes amounts outstanding for fiscal year 2022 compared to fiscal year 2021.

Table 5

Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Lease-Purchase Agreement	\$2,504,000	\$2,774,000
Capital Leases	103,413	137,493
Total	<u>\$2,607,413</u>	<u>\$2,911,493</u>

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 Tambrea L. Irwin, Treasurer at Zane Trace Local School District, 946 State Route 180, Chillicothe, OH 45601 or email Tirwin@ztlisd.org.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2022

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,212,394
Cash and Cash Equivalents with Fiscal Agents	1,549,130
Property Taxes Receivable	5,556,294
Income Taxes Receivable	804,923
Intergovernmental Receivable	212,289
Inventory Held for Resale	8,815
Prepaid Items	3,190
<u>Restricted Assets:</u>	
Equity Pooled in Cash and Cash Equivalents	766,147
Nondepreciable Capital Assets	140,210
Depreciable Capital Assets, Net	11,903,581
Net OPEB Asset	1,059,035
<i>Total Assets</i>	<u>27,216,008</u>
<u>Deferred Outflows of Resources:</u>	
Pension	3,355,671
OPEB	422,348
<i>Total Deferred Outflows of Resources</i>	<u>3,778,019</u>
<u>Liabilities:</u>	
Accounts Payable	173,788
Accrued Wages and Benefits	1,297,585
Intergovernmental Payable	362,768
Accrued Interest Payable	11,201
Claims Payable	332,300
Long-Term Liabilities:	
Due within One Year	359,474
Due in More Than One Year:	
Net Pension Liability	8,381,871
Net OPEB Liability	1,025,066
Other Amounts Due in More Than One Year	3,269,772
<i>Total Liabilities</i>	<u>15,213,825</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	5,163,535
Pension	6,777,281
OPEB	1,840,212
<i>Total Deferred Inflows of Resources</i>	<u>13,781,028</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	9,434,378
Restricted for:	
Set-Asides	766,147
Capital Outlay	5,412
Other Purposes	951,414
Unrestricted	(9,158,177)
<i>Total Net Position</i>	<u><u>\$1,999,174</u></u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$6,366,376	\$531,725	\$431,314	(\$5,403,337)
Special	1,794,835	0	841,339	(953,496)
Vocational	0	0	7,334	7,334
Other	107,848	0	0	(107,848)
<i>Support Services:</i>				
Pupils	1,213,511	0	77,442	(1,136,069)
Instructional Staff	102,005	0	240	(101,765)
Board of Education	78,455	0	0	(78,455)
Administration	927,187	29,234	24,719	(873,234)
Fiscal	473,488	0	0	(473,488)
Operation and Maintenance of Plant	1,342,187	0	291,892	(1,050,295)
Pupil Transportation	856,850	0	708,509	(148,341)
Central	239,294	0	96,610	(142,684)
<i>Operation of Non-Instructional Services:</i>				
Food Service	542,486	75,697	672,634	205,845
Extracurricular Activities	569,335	351,485	16,458	(201,392)
<i>Debt Service:</i>				
Interest and Fiscal Charges	95,491	0	0	(95,491)
<i>Total Governmental Activities</i>	<u>\$14,709,348</u>	<u>\$988,141</u>	<u>\$3,168,491</u>	<u>(\$10,552,716)</u>
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				5,305,070
Income Taxes				1,942,648
Payment in Lieu of Taxes				700
Grants and Entitlements not Restricted to Specific Programs				5,624,842
Investment Earnings				3,540
Miscellaneous				306,476
<i>Total General Revenues</i>				<u>13,183,276</u>
Change in Net Position				2,630,560
<i>Net Position at Beginning of Year</i>				<u>(631,386)</u>
<i>Net Position at End of Year</i>				<u>\$1,999,174</u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

For the Fiscal Year Ended June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,114,066	\$954,443	\$5,068,509
Property Taxes Receivable	5,556,294	0	5,556,294
Income Taxes Receivable	804,923	0	804,923
Intergovernmental Receivable	0	193,320	193,320
Prepaid Items	2,465	725	3,190
Inventory Held for Resale	0	8,815	8,815
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	766,147	0	766,147
<i>Total Assets</i>	<u>\$11,243,895</u>	<u>\$1,157,303</u>	<u>\$12,401,198</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$63,744	\$110,044	\$173,788
Accrued Wages and Benefits	1,233,643	63,942	1,297,585
Intergovernmental Payable	341,530	21,238	362,768
<i>Total Liabilities</i>	<u>1,638,917</u>	<u>195,224</u>	<u>1,834,141</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	5,255,745	0	5,255,745
Income Taxes	201,231	0	201,231
Unavailable Revenue	0	61,154	61,154
<i>Total Deferred Inflows of Resources</i>	<u>5,456,976</u>	<u>61,154</u>	<u>5,518,130</u>
<u>Fund Balances:</u>			
Nonspendable	2,465	725	3,190
Restricted	766,147	918,856	1,685,003
Assigned	4,879,763	0	4,879,763
Unassigned	(1,500,373)	(18,656)	(1,519,029)
<i>Total Fund Balances</i>	<u>4,148,002</u>	<u>900,925</u>	<u>5,048,927</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,243,895</u>	<u>\$1,157,303</u>	<u>\$12,401,198</u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 For the Fiscal Year Ended June 30, 2022*

Total Governmental Funds Balances		\$5,048,927
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,043,791
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	92,210	
Income taxes	201,231	
Intergovernmental revenues	61,154	
Total		354,595
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	(11,201)	
Lease-Purchase Agreement	(2,504,000)	
Capital leases	(103,413)	
Compensated absences	(1,021,833)	
Total liabilities not reported in funds		(3,640,447)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	3,355,671	
Deferred Outflows - OPEB	422,348	
Deferred Inflows - Pension	(6,777,281)	
Deferred Inflows - OPEB	(1,840,212)	
Net OPEB Asset	1,059,035	
Net Pension Liability	(8,381,871)	
Net OPEB Liability	(1,025,066)	
Total		(13,187,376)
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.		1,379,684
<i>Net Position of Governmental Activities</i>		\$1,999,174

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, 2022

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$5,289,267	\$0	\$5,289,267
Income Taxes	1,927,772	0	1,927,772
Intergovernmental	6,884,258	2,008,529	8,892,787
Interest	3,540	0	3,540
Tuition and Fees	491,492	0	491,492
Rent	20,000	0	20,000
Gifts and Donations	60,289	8,972	69,261
Payment in Lieu of Taxes	700	0	700
Customer Sales and Services	0	75,697	75,697
Extracurricular Activities	56,995	343,957	400,952
Miscellaneous	250,164	56,312	306,476
<i>Total Revenues</i>	<u>14,984,477</u>	<u>2,493,467</u>	<u>17,477,944</u>
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,063,821	508,588	7,572,409
Special	1,798,352	247,699	2,046,051
Other	107,848	0	107,848
<i>Support Services:</i>			
Pupils	919,519	435,521	1,355,040
Instructional Staff	133,793	1,963	135,756
Board of Education	71,679	6,776	78,455
Administration	978,701	0	978,701
Fiscal	503,950	0	503,950
Operation and Maintenance of Plant	1,029,116	396,435	1,425,551
Pupil Transportation	880,103	96,061	976,164
Central	174,158	82,391	256,549
Operation of Non-Instructional Services	0	583,022	583,022
Extracurricular Activities	210,641	401,185	611,826
<i>Debt Service:</i>			
Principal Retirement	304,080	0	304,080
Interest and Fiscal Charges	96,699	0	96,699
<i>Total Expenditures</i>	<u>14,272,460</u>	<u>2,759,641</u>	<u>17,032,101</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>712,017</u>	<u>(266,174)</u>	<u>445,843</u>
<i>Net Change in Fund Balances</i>	712,017	(266,174)	445,843
<i>Fund Balances at Beginning of Year</i>	<u>3,435,985</u>	<u>1,167,099</u>	<u>4,603,084</u>
<i>Fund Balances at End of Year</i>	<u>\$4,148,002</u>	<u>\$900,925</u>	<u>\$5,048,927</u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balances - Total Governmental Funds \$445,843

***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.	(64,272)
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	15,803
Income taxes	14,876
Intergovernmental	(168,715)
Total revenues not reported in the funds	(138,036)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	304,080
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,208
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	(67,331)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.	1,205,786
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.	82,910
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.	860,372
<i>Change in Net Position of Governmental Activities</i>	\$2,630,560

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$5,309,028	\$5,387,711	\$5,387,711	\$0
Income Taxes	1,690,000	1,884,336	1,884,336	0
Intergovernmental	6,698,263	6,925,026	6,925,026	0
Interest	14,000	3,217	3,217	0
Tuition and Fees	1,413,697	450,149	450,149	0
Rent	0	20,000	20,000	0
Payment in Lieu of Taxes	0	700	700	0
Miscellaneous	15,000	239,749	239,749	0
<i>Total Revenues</i>	15,139,988	14,910,888	14,910,888	0
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	8,764,032	8,195,128	6,951,341	1,243,787
Special	1,675,658	2,033,757	1,863,795	169,962
Other	244,000	149,474	110,328	39,146
<i>Support Services:</i>				
Pupils	1,101,638	1,275,811	942,075	333,736
Instructional Staff	279,740	245,884	148,056	97,828
Board of Education	139,810	170,873	142,881	27,992
Administration	933,155	1,040,644	964,702	75,942
Fiscal	502,387	610,478	517,823	92,655
Operation and Maintenance of Plant	999,915	2,705,001	1,068,589	1,636,412
Pupil Transportation	854,794	1,051,412	899,679	151,733
Central	175,176	263,778	175,993	87,785
<i>Extracurricular Activities:</i>				
Academic Oriented Activities	21,394	24,884	24,278	606
Sport Oriented Activities	149,755	188,282	164,973	23,309
School and Public Service Co-Curricular Activities	13,284	10,419	10,419	0
<i>Debt Service:</i>				
Principal	270,000	270,000	270,000	0
Interest	87,104	88,154	88,154	0
<i>Total Expenditures</i>	16,211,842	18,323,979	14,343,086	3,980,893
<i>Excess of Revenues Over Expenditures</i>	(1,071,854)	(3,413,091)	567,802	3,980,893
<u>Other Financing Sources (Uses):</u>				
Transfers In	121,997	0	0	0
Advances In	0	121,997	121,997	0
Transfers Out	(2,453,885)	(541,881)	0	541,881
<i>Total Other Financing Sources (Uses)</i>	(2,331,888)	(419,884)	121,997	541,881
Net Change in Fund Balances	(3,403,742)	(3,832,975)	689,799	4,522,774
<i>Fund Balance at Beginning of Year</i>	3,541,168	3,541,168	3,541,168	0
Prior Year Encumbrances Appropriated	291,809	291,809	291,809	0
<i>Fund Balance at End of Year</i>	\$429,235	\$2	\$4,522,776	\$4,522,774

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

Statement of Fund Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$143,885
Cash and Cash Equivalents with Fiscal Agents	1,549,130
Intergovernmental Receivable	<u>18,969</u>
<i>Total Current Assets</i>	<u>1,711,984</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>332,300</u>
<i>Total Current Liabilities</i>	<u>332,300</u>
<u>Net Position:</u>	
Unrestricted	<u>1,379,684</u>
<i>Total Net Position</i>	<u><u>\$1,379,684</u></u>

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$3,473,007
<i>Total Operating Revenues</i>	3,473,007
<u>Operating Expenses:</u>	
Purchased Services	196,028
Claims	2,416,607
<i>Total Operating Expenses</i>	2,612,635
<i>Operating Income</i>	860,372
<i>Net Position at Beginning of Year</i>	519,312
<i>Net Position at End of Year</i>	\$1,379,684

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, 2022

	Governmental Activities
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$3,582,045
Cash Payments for Goods and Services	(196,028)
Cash Payments for Claims	(2,448,007)
<i>Net Cash from Operating Activities</i>	938,010
<i>Cash and Cash Equivalents at Beginning of Year</i>	755,005
<i>Cash and Cash Equivalents at End of Year</i>	\$1,693,015
 <u>Reconciliation of Operating Income to Net Cash from Operating Activities:</u>	
<i>Operating Income</i>	\$860,372
 <u>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</u>	
<i>(Increase) Decrease in Assets:</i>	
Intergovernmental Receivable	109,038
 <i>Increase (Decrease) in Liabilities:</i>	
Claims Payable	(31,400)
Total Adjustments	77,638
<i>Net Cash from Operating Activities</i>	\$938,010

See accompanying notes to the basic financial statements.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 1,320 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 eight organizations, six of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META), the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, Coalition of Rural and Appalachian Schools, South Central Ohio Insurance Consortium, Pilasco-Ross Special Education Regional Resource Center, the School Comp Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. The District has no Fiduciary funds.

B. Fund Accounting

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

Governmental Funds

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

D. Basis of Accounting

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

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$3,540 which includes \$841 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, 2022, 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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:

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

J. Compensated Absences

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

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

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

K. Pensions

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

M. Net Position

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

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

N. Fund Balance Reserves

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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 Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the statement of activities. The District had no such transactions for fiscal year 2022.

Q. Estimates

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

R. Budgetary Process

All funds 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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, 2022, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, and certain provisions in GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 11b, 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and b) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and will improve consistency of authoritative literature. The implementation of certain provisions of GASB Statement No. 99 did not have an effect on the financial statements of the District.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 4 – ACCOUNTABILITY

At June 30, 2022, the following funds had a deficit fund balance.

<u>Fund</u>	<u>Amount</u>
<i>Nonmajor Special Revenue Funds:</i>	
ESSER	\$6,290
IDEA Early Childhood	\$12,366

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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$712,017
<i>Adjustments:</i>	
Revenue Accruals	468,453
Expenditure Accruals	62,524
Funds Budgeted Elsewhere	(418,326)
Encumbrances	(256,866)
Other Financing Sources	121,997
Budget Basis	<u>\$689,799</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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, its political subdivisions or other units or agencies of this state or its political subdivision;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

At June 30, 2022, the District's internal service fund had a balance of \$1,549,130 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.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2022, all of the District's bank balance of \$6,293,423 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the District's name.

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2022 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2022 are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility taxes which became measurable as of June 30, 2022 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, 2022 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, 2022 were \$300,549 for the General Fund.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$218,420,710	86.05%	\$226,893,650	86.23%
Public Utility Personal	35,398,940	13.95%	36,226,780	13.77%
Total Assessed Value	<u>\$253,819,650</u>	<u>100.00%</u>	<u>\$263,120,430</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$29.30		\$29.30

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 2022, the District generated \$1,927,772 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 \$106,553.

NOTE 10 - RECEIVABLES

Receivables at June 30, 2022 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:

<u>Fund</u>	<u>Amount</u>
<i>Other Governmental Funds:</i>	
ESSER	\$98,838
Title VI-B	63,914
Chapter I	22,648
Title VI-R	5,835
Safe and Drug Free Schools	2,085
<i>Total Other Governmental Funds</i>	<u>193,320</u>
<i>Internal Service</i>	<u>18,969</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$212,289</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 11 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2022 follows:

Asset Category	Restated Balance at July 1, 2021	Additions	Deductions	Balance at June 30, 2022
<i>Nondepreciable Capital Assets:</i>				
Land	\$140,210	\$0	\$0	\$140,210
Total Nondepreciable Capital Assets	<u>140,210</u>	<u>0</u>	<u>0</u>	<u>140,210</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	418,118	0	0	418,118
Buildings and Improvements	19,340,365	0	0	19,340,365
Furniture, Fixtures and Equipment	2,906,592	80,240	0	2,986,832
Vehicles	<u>1,317,267</u>	<u>94,576</u>	<u>(36,314)</u>	<u>1,375,529</u>
Total Depreciable Capital Assets	<u>23,982,342</u>	<u>174,816</u>	<u>(36,314)</u>	<u>24,120,844</u>
Total Capital Assets	<u>24,122,552</u>	<u>174,816</u>	<u>(36,314)</u>	<u>24,261,054</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(356,962)	(18,046)	0	(375,008)
Buildings and Improvements	(8,462,963)	(82,331)	0	(8,545,294)
Furniture, Fixtures and Equipment	(2,262,333)	(82,041)	0	(2,344,374)
Vehicles	<u>(932,231)</u>	<u>(56,670)</u>	<u>36,314</u>	<u>(952,587)</u>
Total Accumulated Depreciation	<u>(12,014,489)</u>	<u>(239,088)</u>	<u>36,314</u>	<u>(12,217,263)</u>
Depreciable Capital Assets, Net	<u>11,967,853</u>	<u>(64,272)</u>	<u>0</u>	<u>11,903,581</u>
Total Net Capital Assets	<u>\$12,108,063</u>	<u>(\$64,272)</u>	<u>\$0</u>	<u>\$12,043,791</u>

The District discovered an error in previously reported depreciation. Correction of this error resulted in the following restatement of beginning Accumulated Depreciation Classifications:

	Buildings and Improvement	Furniture, Fixtures & Equipment
Restated Amount	(164,626)	164,626

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$44,695
Special	7,432
<i>Support Services:</i>	
Pupils	12,037
Instructional Staff	1,822
Administration	42,456
Fiscal	1,985
Operations and Maintenance	45,227
Pupil Transportation	63,195
Central	7,310
Operation of Non-Instructional Services	8,122
Extracurricular Activities	4,807
Total Depreciation Expense	<u>\$239,088</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 2022, 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:

<u>Description</u>	<u>Amount</u>
<i>Property and Automobile Liability:</i>	
Building and Contents (\$1,000 deductible)	\$47,018,760
Automobile (\$250 - 1,000 deductible)	3,000,000
<i>Education Pollution Certificate (\$25,000-\$500,000 deductible):</i>	
Pollution - Each Incident	1,000,000
Pollution - Aggregate Limit - Each Named Member	1,000,000
Pollution - Aggregate Limit - All Members Combined	5,000,000
<i>Educational General Liability:</i>	
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
<i>Employee Benefits Liability Endorsement:</i>	
Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	5,000,000
<i>Employer's Liability and Stop Gap Endorsement:</i>	
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
<i>Security and Law Enforcement Liability Coverage Form</i>	
Security and Law Enforcement - Each Occurrence, Offence or Sexual Abuse Offense Limit	3,000,000
Security and Law Enforcement - Aggerate Limit	5,000,000
<i>Educational Legal Liability Coverage (\$2,500 deductible):</i>	
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

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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	50,000,000

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

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

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

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

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 \$1,549,130 cash balance with the fiscal agent at June 30, 2022. 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, 2022, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 12 - RISK MANAGEMENT - (Continued)

The claims liability of \$332,300 supported at June 30, 2022 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2021	\$336,900	\$3,468,237	\$3,441,437	\$363,700
2022	363,700	2,416,607	2,448,007	332,300

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 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. The Retirement Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries for 2021.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The District’s contractually required contribution to SERS was \$269,712 for fiscal year 2022. Of this amount, none is reported as an intergovernmental payable.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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, 2022, 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 2022 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$904,076 for fiscal year 2022. Of this amount, \$148,876 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05311130%	0.05022891%	
Prior Measurement Date	<u>0.05156360%</u>	<u>0.05018481%</u>	
Change in Proportionate Share	<u>0.00154770%</u>	<u>0.00004410%</u>	
Proportionate Share of the Net Pension Liability	\$1,959,653	\$6,422,218	\$8,381,871
Pension Expense	(\$32,636)	\$65	(\$32,571)

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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

At June 30, 2022, 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	\$190	\$198,414	\$198,604
Net Difference between Projected and Actual Earnings			
on Pension Plan Investments	0	0	0
Changes of Assumptions	41,264	1,781,638	1,822,902
Changes in Proportion and Differences between			
Contributions and Proportionate Share of Contributions	81,392	78,985	160,377
District Contributions Subsequent to the Measurement Date	269,712	904,076	1,173,788
Total Deferred Outflows of Resources	\$392,558	\$2,963,113	\$3,355,671
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$50,822	\$40,254	\$91,076
Earnings	1,009,280	5,534,722	6,544,002
Changes in Proportion and Differences between			
Contributions and Proportionate Share of Contributions	25,435	116,768	142,203
Total Deferred Inflows of Resources	\$1,085,537	\$5,691,744	\$6,777,281

\$1,173,788 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, 2022. 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:			
2023	(\$222,751)	(\$884,453)	(\$1,107,204)
2024	(190,183)	(782,617)	(972,800)
2025	(239,969)	(867,227)	(1,107,196)
2026	(309,788)	(1,098,410)	(1,408,198)
	(\$962,691)	(\$3,632,707)	(\$4,595,398)

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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	2.40 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	2.5 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.0 percent net of System expenses	7.0 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 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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:

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

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability	\$3,260,381	\$1,959,653	\$862,692

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

Actuarial Assumptions - STRS

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

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

Post-retirement mortality rates for healthy retirees are 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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

* 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability	\$12,026,410	\$6,422,218	\$1,686,687

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

NOTE 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which 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.

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

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.

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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation 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 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District’s surcharge obligation was \$31,998.

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 \$31,998 for fiscal year 2022.

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, 2022, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability(asset) was measured as of June 30, 2021, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05416230%	0.05022891%	
Prior Measurement Date	<u>0.05237430%</u>	<u>0.05018481%</u>	
Change in Proportionate Share	<u>0.00178800%</u>	<u>0.00004410%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$1,025,066	(\$1,059,035)	(\$33,969)
OPEB Expense (Gain)	(\$418)	(\$49,921)	(\$50,339)

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$10,926	\$37,708	\$48,634
Net Difference between Projected and Actual Earnings			
on Pension Plan Investments	0		0
Changes in Assumptions	160,809	67,648	228,457
Changes in Proportion and Differences between			
Contributions and Proportionate Share of Contributions	96,684	16,575	113,259
Contributions Subsequent to the Measurement Date	<u>31,998</u>	<u>0</u>	<u>31,998</u>
Total Deferred Outflows of Resources	<u><u>\$300,417</u></u>	<u><u>\$121,931</u></u>	<u><u>\$422,348</u></u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$510,530	\$194,034	\$704,564
Net Difference between Projected and Actual Earnings			
on Pension Plan Investments	22,270	293,548	315,818
Changes in Assumptions	140,373	631,793	772,166
Changes in Proportion and Differences between			
Contributions and Proportionate Share of Contributions	<u>46,500</u>	<u>1,164</u>	<u>47,664</u>
Total Deferred Inflows of Resources	<u><u>\$719,673</u></u>	<u><u>\$1,120,539</u></u>	<u><u>\$1,840,212</u></u>

\$31,998 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$97,996)	(\$284,630)	(\$382,626)
2024	(98,152)	(277,286)	(375,438)
2025	(104,244)	(272,747)	(376,991)
2026	(94,726)	(122,994)	(217,720)
2027	(45,745)	(41,920)	(87,665)
Thereafter	<u>(10,391)</u>	<u>969</u>	<u>(9,422)</u>
	<u><u>(\$451,254)</u></u>	<u><u>(\$998,608)</u></u>	<u><u>(\$1,449,862)</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the 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, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$1,270,181	\$1,025,066	\$829,251

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$789,217	\$1,025,066	\$1,340,088

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 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, 2020, and was 7.45 percent as of June 30, 2020. 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, 2021.

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, 2021, 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.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Asset	\$893,662	\$1,059,035	\$1,197,180
	Current		
	1% Decrease	Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Asset	\$1,191,582	\$1,059,035	\$895,129

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

NOTE 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2022 for its governmental activities were as follows:

	Interest Rate	Principal Outstanding at July 1, 2021	Additions	Deductions	Principal Outstanding at June 30, 2022	Amount Due In One Year
<u><i>Governmental Activities:</i></u>						
<i>Net Pension Liability:</i>						
STRS		\$12,142,938	\$0	\$5,720,720	\$6,422,218	\$0
SERS		<u>3,410,525</u>	<u>0</u>	<u>1,450,872</u>	<u>1,959,653</u>	<u>0</u>
Total Net Pension Liability		<u>15,553,463</u>	<u>0</u>	<u>7,171,592</u>	<u>8,381,871</u>	<u>0</u>
<i>Net OPEB Liability:</i>						
SERS		<u>1,138,265</u>	<u>0</u>	<u>113,199</u>	<u>1,025,066</u>	<u>0</u>
Total Net OPEB Liability		<u>1,138,265</u>	<u>0</u>	<u>113,199</u>	<u>1,025,066</u>	<u>0</u>
Capital Lease Payable		137,493	0	34,080	103,413	36,543
Lease-Purchase Agreement		2,774,000	0	270,000	2,504,000	279,000
Compensated Absences		<u>954,502</u>	<u>362,953</u>	<u>295,622</u>	<u>1,021,833</u>	<u>43,931</u>
Total Governmental Activities Long-Term Obligation		<u>\$20,557,723</u>	<u>\$362,953</u>	<u>\$7,884,493</u>	<u>\$13,036,183</u>	<u>\$359,474</u>

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

The District's overall legal debt margin was \$21,176,839 with an unvoted debt margin of \$263,120 at June 30, 2022.

NOTE 17 – OTHER LONG-TERM OBLIGATIONS

Changes in the other long-term obligations of the District during the 2022 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2021	Additions	Deductions	Principal Outstanding at June 30, 2022	Amount Due In One Year
<u><i>Governmental Activities:</i></u>							
Lease-Purchase Agreement	2019	4.09%	<u>\$2,774,000</u>	<u>\$0</u>	<u>\$270,000</u>	<u>\$2,504,000</u>	<u>\$279,000</u>
Total Governmental Activities Other Long-Term Obligation			<u>\$2,774,000</u>	<u>\$0</u>	<u>\$270,000</u>	<u>\$2,504,000</u>	<u>\$279,000</u>

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

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

Principal and interest components of the schedules lease purchase agreement payments outstanding at June 30, 2022 are shown below.

Year Ending June 30	<u>Lease Purchase Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$279,000	\$78,626
2024	288,000	69,865
2025	190,000	60,822
2026	196,000	54,856
2027	202,000	48,701
2028-2032	1,106,000	144,471
2033-2037	243,000	7,630
Totals	<u>\$2,504,000</u>	<u>\$464,971</u>

NOTE 18 - CAPITAL LEASE - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2022:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Lease Payments</u>
2023	\$42,625
2024	42,625
2025	28,416
Minimum Lease Payments	113,666
Less: amount representing interest	10,252
Present value of minimum lease payments	<u>\$103,414</u>

ZANE TRACE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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, 2022, fund balances are composed of the following:

	General	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>			
Prepays	\$2,465	\$725	\$3,190
<i>Total Nonspendable</i>	<u>2,465</u>	<u>725</u>	<u>3,190</u>
<i>Restricted:</i>			
Set-Asides	766,147	0	766,147
<i>Special Revenues:</i>			
Athletics	0	61,689	61,689
Food Service	0	184,797	184,797
Student Activities	0	27,153	27,153
Classroom Maintenance	0	335,193	335,193
Local Grants	0	7,422	7,422
State Grants	0	227,093	227,093
Federal Grants	0	70,097	70,097
Capital Projects	0	5,412	5,412
<i>Total Restricted</i>	<u>766,147</u>	<u>918,856</u>	<u>1,685,003</u>
<i>Encumbrance:</i>			
Instruction	134,406	0	134,406
Support Services	122,460	0	122,460
Uniform School Supplies	23,820	0	23,820
Rotary	13,122	0	13,122
Public School Support	63,179	0	63,179
Future Appropriations	4,522,776	0	4,522,776
<i>Total Assigned</i>	<u>4,879,763</u>	<u>0</u>	<u>4,879,763</u>
<i>Unassigned (Deficit)</i>	<u>(1,500,373)</u>	<u>(18,656)</u>	<u>(1,519,029)</u>
Total Fund Balance	<u><u>\$4,148,002</u></u>	<u><u>\$900,925</u></u>	<u><u>\$5,048,927</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 \$66,998 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.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

E. Pilasco-Ross Special Education Regional Resource Center

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

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

F. Coalition of Rural and Appalachian Schools

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

NOTE 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. CompManagement, Inc. (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program for 2022. 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 School 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 2022, the School 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. There have been no significant reductions in insurance coverage from last year.

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 21 - INSURANCE PURCHASING POOLS - (Continued)

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 300 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 their 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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets	\$ 16,691,066	\$ 13,471,241	\$ 12,967,922
Liabilities	7,777,013	4,909,663	4,843,762
Members' equity	8,914,053	8,561,578	8,124,160

You can read the complete audited financial statements for The Ohio School Plan at the Plan’s website, www.ohioschoolplan.org under “*Financials*”.

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 reserve accounts during fiscal year 2022:

	<u>Capital Improvements</u>
Set Aside Balance June 30, 2021	\$710,973
Current Year Set Aside Requirement	233,530
Current Year Qualifying Disbursements	<u>(178,356)</u>
Set Aside Reserve Balance as of June 30, 2022	<u>\$766,147</u>
Set Aside Reserve Balance Carried Forward to FY23	<u><u>\$766,147</u></u>

ZANE TRACE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 23 – ENCUMBRANCE COMMITMENTS

At June 30, 2022, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$256,866
<i>Nonmajor Funds:</i>	
Food Service	35,250
Student Activities	1,917
Athletics	13,190
Local Grants	500
Miscellaneous State Grants	897
Elementary Library	2,416
Title I 2022	<u>4,604</u>
Total Nonmajor Funds	<u>58,774</u>
Total Encumbrances	<u><u>\$315,640</u></u>

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 2022 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2022 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, 2022, 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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 26 – COVID

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

	2021	2020	2019	2018
<u>School Employees Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.05311130%	0.05156360%	0.05391610%	0.05324600%
District's Proportionate Share of the Net Pension Liability	\$1,959,653	\$3,410,525	\$3,225,895	\$3,049,497
District's Covered Payroll	\$2,096,914	\$2,002,971	\$1,926,514	\$1,808,571
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	93.45%	170.27%	167.45%	168.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%
<u>State Teachers Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.05022891%	0.05018481%	0.05118498%	0.05079417%
District's Proportionate Share of the Net Pension Liability	\$6,422,218	\$12,142,938	\$11,319,251	\$11,168,498
District's Covered Payroll	\$6,083,486	\$6,089,057	\$6,147,543	\$6,133,086
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	105.57%	199.42%	184.13%	182.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.48%	77.40%	77.31%

(1) Information prior to 2013 is not available.

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013
0.05022490%	0.04957934%	0.05129650%	0.0538100%	0.0538100%
\$3,000,827	\$3,618,398	\$2,927,028	\$2,701,582	\$3,174,397
\$1,661,657	\$1,727,829	\$2,111,578	\$1,897,576	\$1,385,393
180.59%	209.42%	138.62%	142.37%	229.13%
69.50%	62.98%	69.16%	71.70%	65.52%
0.04995078%	0.04904243%	0.04877580%	0.04971763%	0.04971763%
\$11,865,915	\$16,415,980	\$13,480,204	\$12,093,048	\$14,405,160
\$5,519,943	\$5,009,200	\$5,280,307	\$5,662,277	\$5,654,500
214.96%	327.72%	255.29%	213.57%	254.76%
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 Liability/Asset
Last Six Fiscal Years (1)

	2022	2021	2020	2019
<u>School Employees Retirement System of Ohio</u>				
District's Proportion of the Net OPEB Liability	0.05416230%	0.05237430%	0.05462700%	0.05320770%
District's Proportionate Share of the Net OPEB Liability	\$1,025,066	\$1,138,265	\$1,373,754	\$1,476,125
District's Covered-Employee 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 it's Covered-Employee Payroll	53.21%	54.28%	68.59%	76.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%
<u>State Teachers Retirement System of Ohio</u>				
District's Proportion of the Net OPEB Liability	0.05022891%	0.05018481%	0.05118498%	0.05079417%
District's Proportionate Share of the Net OPEB Asset	\$1,059,035	\$881,997	\$847,746	\$816,211
District's Proportionate Share of the Net OPEB Liability	\$0	\$0	\$0	\$0
District's Covered-Employee 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 it's Covered-Employee Payroll	(17.10%)	(14.50%)	(13.92%)	(13.28%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.13%	174.74%	176.00%

(1) Information prior to 2013 is not available.

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

See accompanying notes to the required supplementary information.

2018	2017
0.05050760%	0.04957934%
\$1,355,491	\$1,413,195
\$1,808,571	\$1,661,657
74.95%	85.05%
12.46%	11.49%
0.04995078%	0.04904234%
\$0	\$0
\$1,948,895	\$2,622,802
\$6,133,086	\$5,519,943
31.78%	47.52%
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 (1)

	2022	2021	2020	2019
<u>Pension</u>				
Contractually Required Contributions	\$269,712	\$293,568	\$280,416	\$260,079
Contributions in Relation to the Contractually Required Contributions	<u>(269,712)</u>	<u>(293,568)</u>	<u>(280,416)</u>	<u>(260,079)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$1,926,514	\$2,096,914	\$2,002,971	\$1,926,514
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.50%
<u>OPEB</u>				
Contractually Required Contributions (2)	\$0	\$0	\$0	\$9,633
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,633)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$1,926,514	\$2,096,914	\$2,002,971	\$1,926,514
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.50%

(1) Information prior to 2013 is not available.

(2) Excludes surcharge amount.

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

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$244,157	\$232,632	\$241,896	\$278,306	\$263,004	\$191,738
<u>(244,157)</u>	<u>(232,632)</u>	<u>(241,896)</u>	<u>(278,306)</u>	<u>(263,004)</u>	<u>(191,738)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,808,571	\$1,661,657	\$1,727,829	\$2,111,578	\$1,897,576	\$1,385,393
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
\$9,043	\$0	\$0	\$17,315	\$2,657	\$2,217
<u>(9,043)</u>	<u>0</u>	<u>0</u>	<u>(17,315)</u>	<u>(2,657)</u>	<u>(2,217)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,808,571	\$1,661,657	\$1,727,829	\$2,111,578	\$1,897,576	\$1,385,393
0.50%	0.00%	0.00%	0.82%	0.14%	0.16%

ZANE TRACE LOCAL SCHOOL DISTRICT

*Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years (1)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Pension</u>				
Contractually Required Contributions	\$904,076	\$851,688	\$852,468	\$860,656
Contributions in Relation to the Contractually Required Contributions	<u>(904,076)</u>	<u>(851,688)</u>	<u>(852,468)</u>	<u>(860,656)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,457,686	\$6,083,486	\$6,089,057	\$6,147,543
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%
<u>OPEB</u>				
Contractually Required Contributions	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,457,686	\$6,083,486	\$6,089,057	\$6,147,543
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2013 is not available.

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
\$858,632	\$772,792	\$701,288	\$739,243	\$736,096	\$735,085
<u>(858,632)</u>	<u>(772,792)</u>	<u>(701,288)</u>	<u>(739,243)</u>	<u>(736,096)</u>	<u>(735,085)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,133,086	\$5,519,943	\$5,009,200	\$5,280,307	\$5,662,277	\$5,654,500
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
\$0	\$0	\$0	\$0	\$56,662	\$56,545
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(56,662)</u>	<u>(56,545)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,133,086	\$5,519,943	\$5,009,200	\$5,280,307	\$5,662,277	\$5,654,500
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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.

2020-2022: 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%
- Mortality among active members was updated to the following:

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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

- 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.

Other Postemployment Benefits

Changes in benefit terms:

2017-2022: 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.

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%

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO (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.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms:

2017-2022: 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%.

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

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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

- 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: 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.

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.

ZANE TRACE LOCAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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

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%.

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ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance				
National School Lunch Program	10.555	N/A	36,019	36,019
Cash Assistance				
COVID-19 National School Lunch Program	10.555	N/A	1,760	1,760
National School Lunch Program	10.555	N/A	494,281	427,747
Total National School Lunch Program			532,060	465,526
School Breakfast Program				
Total Child Nutrition Cluster	10.553	N/A	111,764	89,586
			643,824	555,112
Pandemic EBT Administrative Costs				
	10.649	N/A	614	614
Total U.S. Department of Agriculture			644,438	555,726
U.S. DEPARTMENT OF TREASURY				
<i>Passed Through Ohio Department of Education</i>				
Coronavirus Relief Fund:				
COVID-19 CRF-Rural and Small Town School District	21.019	N/A	37,467	39,719
Total Coronavirus Relief Fund			37,467	39,719
Total U.S. Department of Treasury			37,467	39,719
U.S. DEPARTMENT OF FEDERAL COMMUNICATIONS COMMISSION				
<i>Direct Award</i>				
Emergency Connectivity Fund:				
COVID-19 Emergency Connectivity Fund	32.009	ZTRACE-ECF-21	32,670	32,670
Total Coronavirus Relief Fund			32,670	32,670
Total U.S. Department of Federal Communications Commission			32,670	32,670
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Elementary and Secondary School Emergency Relief (ESSER):				
COVID-19 ESSER I	84.425D	N/A	99,613	109,243
COVID-19 ESSER I Carryover	84.425D	N/A	4,861	4,861
COVID-19 ESSER II	84.425D	N/A	360,281	359,531
Total Elementary and Secondary School Emergency Relief (ESSER)			464,755	473,635
American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth				
COVID-19 Assistance for Homeless	84.425W	N/A	47,825	45,586
COVID-19 Assistance for Homeless II	84.425W	N/A	3,375	185
Total Disaster Recovery Assistance for Education			51,200	45,771
Total Education Stabilization Fund			515,955	519,406
Special Education Cluster:				
Special Education-Grants to States-2021 (IDEA-B)	84.027	N/A	101,336	109,649
Special Education-Grants to States-2022 (IDEA-B)	84.027	N/A	180,770	162,577
Total Special Education-Grants to States			282,106	272,226
IDEA Preschool Restoration				
Total Special Education Cluster	84.173A	N/A	7,421	7,421
			289,527	279,647
Title I:				
Title I Grants to Local Educational Agencies-2021	84.010	N/A	86,110	92,479
Title I Grants to Local Educational Agencies-2022	84.010	N/A	171,045	150,341
Title I EOC Grants to Local Educational Agencies-2022	84.010	N/A	11,388	10,531
Total Title I			268,543	253,351
Title II-A:				
Supporting Effective Instruction State Grants-2021	84.367	N/A	9,566	11,287
Supporting Effective Instruction State Grants-2022	84.367	N/A	35,295	33,350
Total Supporting Effective Instruction			44,861	44,637
Title IV-A:				
Student Support Academic Enrichment-2021	84.424	N/A	2,629	3,116
Student Support Academic Enrichment-2022	84.424	N/A	12,724	12,356
Total Title IV-A			15,353	15,472
Total U.S. Department of Education			1,134,239	1,112,513
Total Expenditures of Federal Awards			1,848,814	1,740,628

The accompanying notes are an integral part of this schedule.

**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - 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 School District assumes it expends federal monies first.

NOTE F – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs 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. Transfers between program years are represented on the following page.

The School District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amount Transferred</u>
Child Nutrition Cluster - School Breakfast Program	10.553	\$ 22,178
Child Nutrition Cluster - National School Lunch Program	10.555	66,534
Title I Grants to Local Educational Agencies	84.010	50,731
Special Education - Grants to States	84.027	151,641
Title II Supporting Effective Instruction	84.367	313
Student Support Academic Enrichment	84.424	2,000
ARP- Special Education	84.027/84.173	64,220
ESSER II	84.425D	200,872
ARP- ESSER	84.425U	1,833,922
ARP - Assistance for Homeless I	84.425W	129,241
ARP - Assistance for Homeless II	84.425W	28,531

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

We have audited, in accordance with 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 the Zane Trace Local School District, Ross County, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 7, 2023. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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 District'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 as item 2022-001 that we consider to be a material weakness.

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*.

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 corrective action plan. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
June 7, 2023

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Zane Trace Local School District's, Ross County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Zane Trace Local School District's major federal programs for the year ended June 30, 2022. Zane Trace Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, Zane Trace Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Zane Trace Local School 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 for the year ended June 30, 2022.

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.

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 Child Nutrition Cluster

As described in finding 2022-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Procurement and Suspension and Debarment applicable to its AL#10.553/10.555 Child Nutrition Cluster major federal program.

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

Responsibilities of Management for Compliance

The District's 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.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2022-002, to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Keith Faber
Auditor of State
Columbus, Ohio
June 7, 2023

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**ZANE TRACE LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Child Nutrition Cluster Unqualified – Elementary and Secondary School Emergency Relief
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	10.553/10.555 Child Nutrition Cluster 84.425D/84.424W Elementary and Secondary School Emergency Relief
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2022-001

Material Weakness

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

**FINDING NUMBER 2022-001
(Continued)**

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

Governmental Activities:

- Depreciable capital assets were understated, and administrative expense was overstated in the amount of \$70,642.
- Operation and maintenance of plant was understated in the amount of \$3,371, pupil transportation was understated in the amount of \$12,963, central was understated in the amount of \$43,929, regular instruction was overstated in the amount of \$21,535, special instruction was overstated in the amount of \$30,993, and administrative was overstated in the amount of \$7,735.
- Restricted for other purposes was understated and unrestricted was overstated by \$172,158.

General Fund:

- Budgeted original appropriations (expenditures) were understated by \$2,467,109.
- Property taxes revenue was understated, and intergovernmental revenue was overstated by \$97,885.

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

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

The District should review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Suspension and Debarment

Finding Number:	2022-002
Assistance Listing Number and Title:	10.553/10.555 Child Nutrition Cluster
Federal Award Identification Number / Year:	N/A / 2022
Federal Agency:	United States Department of Agriculture
Compliance Requirement:	Procurement and Suspension and Debarment
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

FINDING NUMBER 2022-002
(Continued)

Material Weakness and Noncompliance

2 CFR § 417.10 gives regulatory effect to the United States Department of Agriculture for **2 CFR 180.305** states that Non-Federal entities are prohibited from entering into a covered transaction with parties that are suspended or debarred or whose principals are suspended or debarred unless the Federal agency responsible for the transaction grants an exception under **2 CFR § 180.135**.

2 CFR 180.200 identifies “covered transactions” as nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in 2 CFR § 180.220. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless exempt by **2 CFR § 180.215**.

When a non-Federal entity enters into a covered transaction, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions (<https://sam.gov>); collecting a certification from the entity or adding a clause or condition to the covered transactions with that entity.

District Policy # 6325, Procurement - Federal Grants/Funds, states that for contracts over \$25,000, the District shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov; collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor.

The District did not have the proper internal controls in place to verify that all entities, with whom the District had entered into covered transactions, had not been suspended or debarred. During testing of Fiscal Year 2022 for the Child Nutrition Cluster Program, we noted 11 instances in which each program had a payment to a vendor of more than \$25,000 and there was no evidence the District checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for the transactions in the Child Nutrition Cluster during Fiscal Year 2022.

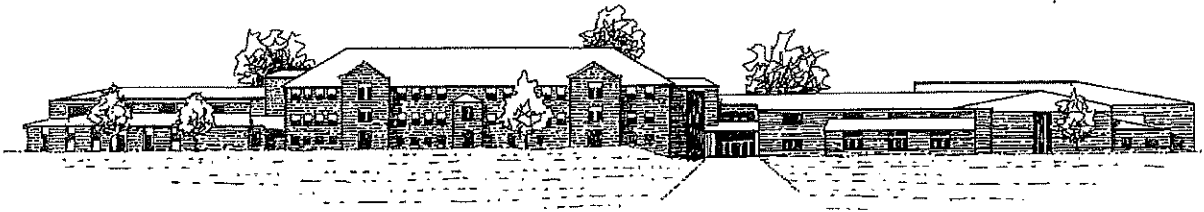
Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the District should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

Officials' Response:

See Corrective Action Plan.

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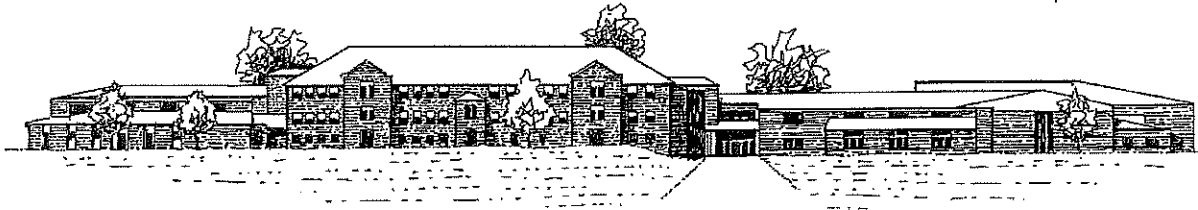
ZANE TRACE LOCAL SCHOOL DISTRICT

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Budgetary System Variance - Difference between Approved Budgetary Documents and System resulting in Budgetary Statement Errors	Corrected	

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ZANE TRACE LOCAL SCHOOL DISTRICT

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2022

Finding Number: 2022-001
Planned Corrective Action: Staff members have received updated training and have become more familiar with the Redesign programs and other posting requirements
Anticipated Completion Date: 07312023
Responsible Contact Person: Tambrea L. Irwin, Treasurer

Finding Number: 2022-002
Planned Corrective Action: Better documentation has been requested from the 3 purchasing groups that we use for purchasing to provide evidence of proper procurement procedures
Anticipated Completion Date: 08312023
Responsible Contact Person: Bob Dunn, Food Service Director

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 7/11/2023

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

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