

# ZANE TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Zane Trace Local School District  
946 State Route 180  
Chillicothe, OH 45601

We have reviewed the *Independent Auditors' Report* of the Zane Trace Local School District, Ross County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 6, 2015

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Zane Trace Local School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zane Trace Local School District (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Zane Trace Local School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Zane Trace Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 statement 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 taken as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of Zane Trace Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Zane Trace Local School District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 19, 2014

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

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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, 2014. 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, 2014 by \$12,548,867. Of this amount, \$10,430,421 represents net investment in capital assets and net position amounts restricted for specific purposes. The remaining \$2,118,446 represents unrestricted net position.
- ▶ In total, net position of governmental activities increased by \$488,713 which represents a 4.05 percent increase from 2013.
- ▶ General revenues accounted for \$12,511,770 or 84.71 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,258,551 or 15.29 percent of total revenues of \$14,770,321.
- ▶ The District had \$14,281,608 in expenses related to governmental activities; only \$2,258,551 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues (primarily taxes and grants and entitlements) of \$12,511,770 were used 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 \$12,794,302 in revenues and \$12,260,849 in expenditures in fiscal year 2014.

**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, 2014*

*(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

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

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

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

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

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the District's major funds begins on page 17. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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, 2014*

*(Unaudited)*

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

**Governmental Funds**

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

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

**Proprietary Fund**

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

**Fiduciary Funds**

The District's fiduciary funds include private purpose trust and agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Notes to the Basic Financial Statements**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(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 2014 compared to fiscal year 2013:

Table 1  
**Net Position at Year End**

	<b><u>Governmental Activities</u></b>	
	<u>2014</u>	<u>Restated 2013</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$10,071,525	\$9,258,905
Capital Assets, Net	13,274,669	13,808,207
<i>Total Assets</i>	<u>23,346,194</u>	<u>23,067,112</u>
<b>Deferred Outflows of Resources</b>	<u>4,275</u>	<u>5,052</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	1,523,376	1,625,741
Long-Term Liabilities	4,805,840	5,217,595
<i>Total Liabilities</i>	<u>6,329,216</u>	<u>6,843,336</u>
<b>Deferred Inflows of Resources</b>	<u>4,472,386</u>	<u>4,168,674</u>
<b><u>Net Position:</u></b>		
Net Investment in Capital Assets	9,195,042	9,241,807
Restricted	1,235,379	1,585,273
Unrestricted	2,118,446	1,233,074
<i>Total Net Position</i>	<u><u>\$12,548,867</u></u>	<u><u>\$12,060,154</u></u>

Current and other assets increased \$812,620 from fiscal year 2013 due to an increase in cash and cash equivalents held by the District which is the result of a significant increase in unrestricted grants and entitlements revenues. Capital assets decreased by \$533,538 or 3.86 percent.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

Current (other) liabilities decreased by \$102,365 or 6.30 percent due mostly to a decrease in accrued wages and benefits payables related to fewer days being accrued for fiscal year 2014.

Long-term liabilities decreased by \$411,755 or 7.89 percent as the result of the District making scheduled debt payments.

The District's largest portion of net position is related to amounts net investment in capital assets. This accounts for 73.27 percent of net position. 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 District's smallest portion of net position is restricted net position. This accounts for 9.85 percent of net position. The restricted net position is subject to external restrictions on how they may be used.

The remaining balance of \$2,118,446 or 16.88 percent is unrestricted. Unrestricted net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

Table 2 shows the changes in net position for fiscal year 2014 and provides a comparison to fiscal year 2013.

Table 2  
**Changes In Net Position**

	<u>Governmental Activities</u>	
	2014	Restated 2013
<b><u>Revenues:</u></b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$1,180,994	\$1,142,183
Operating Grants and Contributions	1,077,557	1,432,921
<i>General Revenues:</i>		
Property Taxes	4,304,957	3,970,726
Income Taxes	1,104	2,177
Unrestricted Grants and Entitlements	7,937,660	6,732,110
Investment Earnings	9,288	15,928
Gain on Sale of Capital Assets	14,096	2,730
Miscellaneous	244,665	234,455
<b>Total Revenues</b>	<b>14,770,321</b>	<b>13,533,230</b>

(Continued)

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

Table 2  
**Changes in Net Position (Continued)**

	2014	Restated 2013
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	6,958,466	6,497,087
Special	1,201,465	1,390,399
Vocational	7,696	8,437
Adult/Continuing	0	13,152
Student Intervention Services	24,593	71,471
Other	8,875	62,754
<i>Support Services:</i>		
Pupils	825,154	745,928
Instructional Staff	229,447	514,996
Board of Education	482,306	236,405
Administration	822,918	797,337
Fiscal	397,244	387,255
Operation and Maintenance of Plant	1,137,244	1,276,924
Pupil Transportation	936,104	935,466
Central	147,076	209,337
Operation of Non-Instructional Services	499,677	552,103
Extracurricular Activities	423,163	406,054
Interest and Fiscal Charges	180,180	193,252
<i>Total Expenses</i>	<u>14,281,608</u>	<u>14,298,357</u>
<i>Change in Net Position</i>	488,713	(765,127)
Net Position-Beginning of Year, As Restated	<u>12,060,154</u>	<u>12,825,281</u>
Net Position-End of Year	<u><u>\$12,548,867</u></u>	<u><u>\$12,060,154</u></u>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

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The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Pupil Transportation, Pupils and Administration. These programs account for 83.19 percent of the total governmental activities. Regular Instruction, which accounts for 48.72 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 8.42 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 7.96 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.55 percent of the total, represents costs associated with providing transportation services for student between home and school and to school activities. Pupils, which represents 5.78 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Administration, which represents 5.76 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

The total expenses for governmental activities decreased \$16,749 or 0.12 percent. This slight decrease is the result of the effects of the District to control spending and reduce costs.

The majority of the funding for the most significant programs indicated above is from property taxes, charges for services and sales and grants and entitlements not restricted for specific programs. Property taxes, charges for services and sales, operating grants and contributions and grant's and entitlements not restricted for specific programs account for 98.18 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 made up 29.15 percent and intergovernmental revenue makes up 61.04 percent of the total revenue for the governmental activities in fiscal year 2014.

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 2014, the District received \$6,672,998 through the State's foundation program, which represents 45.18 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 57.42 percent of governmental activities program expenses. Support services expenses make up 34.85 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.



**ZANE TRACE LOCAL SCHOOL DISTRICT**  
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*(Unaudited)*

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2014 compared with fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
<i>Program Expenses:</i>				
Instruction	\$8,201,095	\$6,729,131	\$8,043,300	\$6,362,151
Support Services	4,977,493	4,932,032	5,103,648	4,975,920
Operation of Non-Instructional Services	499,677	(21,126)	552,103	25,592
Extracurricular Activities	423,163	202,840	406,054	166,338
Interest and Fiscal Charges	180,180	180,180	193,252	193,252
Total Expenses	<u>\$14,281,608</u>	<u>\$12,023,057</u>	<u>\$14,298,357</u>	<u>\$11,723,253</u>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$14,771,409 and expenditures of \$14,164,217.

Total governmental fund balance increased by \$607,192. The increase in fund balance for the year was most significant in the General Fund, which increased by \$547,549 as the result of a \$743,588 increase in intergovernmental revenues during fiscal year 2014.

The District should remain stable in fiscal years 2015 and 2016. However, projections beyond fiscal year 2016 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**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 2014, 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*

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For the General Fund, the final budget basis revenue was \$12,674,153 representing a \$1,526,648 increase from the original budget estimates \$11,147,505. The final budget reflected a 13.69 percent increase from the original budgeted amount. Most of this difference was due to receiving more intergovernmental revenue than was originally estimated. For the General Fund, the final budget basis expenditures were \$12,808,535 representing an increase of \$3,124,755 from the original budget expenditures of \$9,683,780. The final budget reflected a 32.26 percent increase from the original budgeted amount. Most of this difference was due to the increases in regular instruction, special instruction, pupils and operation and maintenance of plant expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the District had \$22.1 million invested in land, 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 \$8.8 million. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

Table 4

**Capital Assets & Accumulated Depreciation at Year End**

	<b><u>Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<i>Nondepreciable Capital Assets:</i>		
Land	\$137,750	\$137,750
<i>Depreciable Capital Assets:</i>		
Land Improvements	411,016	411,016
Buildings and Improvements	17,599,426	17,599,426
Furniture, Fixtures, Equipment and Textbooks	2,676,923	2,658,509
Vehicles	<u>1,274,842</u>	<u>1,324,322</u>
<i>Total Capital Assets</i>	<u>22,099,957</u>	<u>22,131,023</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(230,641)	(212,595)
Buildings and Improvements	(5,491,583)	(5,146,861)
Furniture, Fixtures, Equipment and Textbooks	(1,987,038)	(1,854,511)
Vehicles	<u>(1,116,026)</u>	<u>(1,108,849)</u>
<i>Total Accumulated Depreciation</i>	<u>(8,825,288)</u>	<u>(8,322,816)</u>
Capital Assets, Net	<u>\$13,274,669</u>	<u>\$13,808,207</u>

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

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

**Debt Administration**

At June 30, 2014, the District had \$4,031,144 in general obligation debt, certificate of participation obligations and capital leases outstanding with \$492,145 due within one year. Table 5 summarizes amounts outstanding for fiscal year 2014 compared to fiscal year 2013.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

<u>Purpose</u>	<u>2014</u>	<u>Restated 2013</u>
2009 Refunding Bonds	\$1,660,000	\$1,970,000
Capital Appreciation Bonds	159,999	159,999
Certificate of Participation	2,211,000	2,379,000
Capital Leases	145	1,832
Total	<u>\$4,031,144</u>	<u>\$4,510,831</u>

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

**Current Issues**

While the Zane Trace Local School District currently appears to be in a positive financial condition, the financial stability of the District is dwindling at a steady pace. The District continues to carry a reasonable cash balance, but our five year forecast shows that expenditures exceed our revenues. Each and every financial decision is being weighed with great caution and many factors are being considered related to the District's continued financial stability.

As with every School District in the State of Ohio, State funding is an unpredictable issue. The State provides the majority of the revenue received within our District. Current revenue projections do not seem to reflect increases that will keep up with the continuing operational increases the District is beginning to suffer from due to health/medical insurance, utility cost and continuing growth in enrollment. The State also continues to reduce funding of federal and State programs which cause other funds to pick up costs or reduce provided services.

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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**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](mailto:Tirwin@ztlisd.org).

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,454,559
Cash and Cash Equivalents with Fiscal Agents	94,330
Property Taxes Receivable	4,910,869
Intergovernmental Receivable	231,952
Materials and Supplies Inventory	22,398
Inventory Held for Resale	11,184
Prepaid Items	6,762
<b><u>Restricted Assets:</u></b>	
Equity Pooled in Cash and Cash Equivalents	339,471
Nondepreciable Capital Assets	137,750
Depreciable Capital Assets, Net	<u>13,136,919</u>
<i>Total Assets</i>	<u>23,346,194</u>
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding	<u>4,275</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	81,005
Accrued Wages and Benefits	1,010,855
Intergovernmental Payable	156,584
Accrued Interest Payable	12,588
Claims Payable	168,400
Matured Compensated Absences Payable	18,944
Early Retirement Incentive Payable	75,000
<b><u>Long-Term Liabilities:</u></b>	
Due within One Year	667,163
Due in More Than One Year	<u>4,138,677</u>
<i>Total Liabilities</i>	<u>6,329,216</u>
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	<u>4,472,386</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	9,195,042
<b><u>Restricted for:</u></b>	
Set-Asides	339,471
Debt Service	328,223
Other Purposes	567,685
Unrestricted	<u>2,118,446</u>
<i>Total Net Position</i>	<u><u>\$12,548,867</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, 2014*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Expenses</u>				
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$6,958,466	\$707,982	\$365,616	(\$5,884,868)
Special	1,201,465	0	398,366	(803,099)
Vocational	7,696	0	0	(7,696)
Student Intervention Services	24,593	0	0	(24,593)
Other	8,875	0	0	(8,875)
<i>Support Services:</i>				
Pupils	825,154	0	0	(825,154)
Instructional Staff	229,447	0	5,743	(223,704)
Board of Education	482,306	0	0	(482,306)
Administration	822,918	19,343	11,933	(791,642)
Fiscal	397,244	0	0	(397,244)
Operation and Maintenance of Plant	1,137,244	0	0	(1,137,244)
Pupil Transportation	936,104	0	5,742	(930,362)
Central	147,076	0	2,700	(144,376)
Operation of Non-Instructional Services	499,677	246,924	273,879	21,126
Extracurricular Activities	423,163	206,745	13,578	(202,840)
<i>Debt Service:</i>				
Interest and Fiscal Charges	180,180	0	0	(180,180)
<b>Total Governmental Activities</b>	<b>\$14,281,608</b>	<b>\$1,180,994</b>	<b>\$1,077,557</b>	<b>(12,023,057)</b>
<b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,929,166
Debt Service				310,909
Capital Outlay				64,882
Income Taxes				1,104
Grants and Entitlements not Restricted to Specific Programs				7,937,660
Investment Earnings				9,288
Insurance Recoveries				14,096
Miscellaneous				244,665
<b>Total General Revenues</b>				<b>12,511,770</b>
Change in Net Position				488,713
<i>Net Position at Beginning of Year, As Restated Note 3</i>				12,060,154
<i>Net Position at End of Year</i>				<b>\$12,548,867</b>

See accompanying notes to the basic financial statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$3,035,426	\$1,243,351	\$4,278,777
Property Taxes Receivable	4,488,498	422,371	4,910,869
Interfund Receivable	123,628	0	123,628
Intergovernmental Receivable	0	231,952	231,952
Prepaid Items	6,762	0	6,762
Inventory Held for Resale	0	11,184	11,184
Materials and Supplies Inventory	22,398	0	22,398
<b><u>Restricted Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	339,471	0	339,471
<b><i>Total Assets</i></b>	<b><u>\$8,016,183</u></b>	<b><u>\$1,908,858</u></b>	<b><u>\$9,925,041</u></b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$44,720	\$36,285	\$81,005
Accrued Wages and Benefits	911,606	99,249	1,010,855
Intergovernmental Payable	145,134	11,450	156,584
Matured Compensated Absences Payable	18,944	0	18,944
Interfund Payable	0	123,628	123,628
Early Retirement Incentive Payable	75,000	0	75,000
<b><i>Total Liabilities</i></b>	<b><u>1,195,404</u></b>	<b><u>270,612</u></b>	<b><u>1,466,016</u></b>
<b><u>Deferred Inflows of Resources:</u></b>			
Property Taxes	4,171,891	392,197	4,564,088
<b><u>Fund Balances:</u></b>			
Nonspendable	29,160	0	29,160
Restricted	339,471	1,286,071	1,625,542
Assigned	204,863	0	204,863
Unassigned	2,075,394	(40,022)	2,035,372
<b><i>Total Fund Balances</i></b>	<b><u>2,648,888</u></b>	<b><u>1,246,049</u></b>	<b><u>3,894,937</u></b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i></b>	<b><u>\$8,016,183</u></b>	<b><u>\$1,908,858</u></b>	<b><u>\$9,925,041</u></b>

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  
 June 30, 2014*

<b>Total Governmental Funds Balances</b>		\$3,894,937
 <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 and therefore are not reported in the funds.		13,274,669
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		91,702
Unamortized deferred charges from the issuance of refunding bonds represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		4,275
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
General obligation bonds	(1,819,999)	
Accretion on bonds	(73,895)	
Premium on bonds	(47,751)	
Accrued interest on bonds	(12,588)	
Capital leases	(145)	
Certificate of participation	(2,211,000)	
Compensated absences	<u>(653,050)</u>	
Total liabilities not reported in funds		(4,818,428)
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.		<u>101,712</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$12,548,867</u></u>

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, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$3,929,429	\$376,616	\$4,306,045
Income Taxes	1,104	0	1,104
Intergovernmental	7,882,270	1,080,229	8,962,499
Interest	9,192	96	9,288
Tuition and Fees	686,908	0	686,908
Gifts and Donations	47,732	4,986	52,718
Extracurricular Activities	47,072	200,090	247,162
Charges for Services	0	246,924	246,924
Miscellaneous	190,595	54,070	244,665
<i>Total Revenues</i>	<u>12,794,302</u>	<u>1,963,011</u>	<u>14,757,313</u>
<b><u>Expenditures:</u></b>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	6,532,343	357,259	6,889,602
Special	800,751	332,203	1,132,954
Vocational	7,696	0	7,696
Student Intervention Services	24,588	0	24,588
Other	8,875	0	8,875
<i>Support Services:</i>			
Pupils	805,652	0	805,652
Instructional Staff	212,652	6,434	219,086
Board of Education	193,126	2,341	195,467
Administration	804,403	0	804,403
Fiscal	378,833	9,657	388,490
Operation and Maintenance of Plant	1,002,963	78,429	1,081,392
Pupil Transportation	876,601	5,072	881,673
Central	136,676	5,324	142,000
Operation of Non-Instructional Services	0	495,210	495,210
Extracurricular Activities	186,943	243,414	430,357
<i>Debt Service:</i>			
Principal Retirement	169,687	310,000	479,687
Interest and Fiscal Charges	119,060	58,025	177,085
<i>Total Expenditures</i>	<u>12,260,849</u>	<u>1,903,368</u>	<u>14,164,217</u>
<i>Excess of Revenues Over Expenditures</i>	<u>533,453</u>	<u>59,643</u>	<u>593,096</u>
<b><u>Other Financing Sources:</u></b>			
Insurance Recoveries	14,096	0	14,096
<i>Total Other Financing Sources</i>	<u>14,096</u>	<u>0</u>	<u>14,096</u>
<i>Net Change in Fund Balances</i>	547,549	59,643	607,192
<i>Fund Balances at Beginning of Year</i>	<u>2,101,339</u>	<u>1,186,406</u>	<u>3,287,745</u>
<i>Fund Balances at End of Year</i>	<u>\$2,648,888</u>	<u>\$1,246,049</u>	<u>\$3,894,937</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, 2014*

**Net Change in Fund Balances - Total Governmental Funds** \$607,192

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (531,836)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,702)

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 (1,088)

Repayment of bond, certificate of participation and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 479,687

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 6,828

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

Amortization of premium on bonds	7,958
Accretion on bonds	(17,104)
Amortization of Deferred Charges on bonds	(777)
Compensated absences	<u>(58,786)</u>

Total expenditures not reported in the funds (68,709)

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. (1,659)

*Change in Net Position of Governmental Activities* \$488,713

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, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$4,107,622	\$3,942,775	\$3,942,775	\$0
Income Taxes	890	1,104	1,104	0
Intergovernmental	6,355,878	7,882,270	7,882,270	0
Interest	7,412	10,000	9,192	(808)
Tuition and Fees	523,307	648,981	648,981	0
Miscellaneous	152,396	189,023	188,995	(28)
<i>Total Revenues</i>	11,147,505	12,674,153	12,673,317	(836)
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,027,859	6,587,656	6,528,917	58,739
Special	672,137	908,709	872,802	35,907
Vocational	5,927	10,700	7,696	3,004
Student Intervention Services	18,935	53,630	24,588	29,042
Other	15,400	23,500	19,997	3,503
<i>Support Services:</i>				
Pupils	622,166	910,132	807,913	102,219
Instructional Staff	184,184	248,041	239,172	8,869
Board of Education	154,067	200,667	200,063	604
Administration	608,082	790,154	789,624	530
Fiscal	306,458	409,286	397,951	11,335
Operation and Maintenance of Plant	831,669	1,105,574	1,079,962	25,612
Pupil Transportation	702,929	950,983	912,788	38,195
Central	113,972	149,801	147,998	1,803
Extracurricular Activities	132,999	172,706	172,705	1
<i>Debt Service:</i>				
Principal	168,000	168,000	168,000	0
Interest	118,996	118,996	118,996	0
<i>Total Expenditures</i>	9,683,780	12,808,535	12,489,172	319,363
<i>Excess of Revenues Over (Under) Expenditures</i>	1,463,725	(134,382)	184,145	318,527
<b><u>Other Financing Sources (Uses):</u></b>				
Insurance Recoveries	0	14,096	14,096	0
Transfers Out	0	(355,667)	0	355,667
Advances Out	0	(53,951)	(53,951)	0
<i>Total Other Financing Sources (Uses)</i>	0	(395,522)	(39,855)	355,667
Net Change in Fund Balances	1,463,725	(529,904)	144,290	674,194
<i>Fund Balance at Beginning of Year</i>	2,631,251	2,631,251	2,631,251	0
Prior Year Encumbrances Appropriated	380,502	380,502	380,502	0
<i>Fund Balance at End of Year</i>	\$4,475,478	\$2,481,849	\$3,156,043	\$674,194

See accompanying notes to the basic financial statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2014*

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	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$175,782
Cash and Cash Equivalents with Fiscal Agents	<u>94,330</u>
<i>Total Current Assets</i>	<u>270,112</u>
<b><u>Liabilities:</u></b>	
<i>Current Liabilities:</i>	
Claims Payable	<u>168,400</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u><u>\$101,712</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, 2014*

	Governmental Activities
	Internal Service
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$2,044,973
<b><u>Operating Expenses:</u></b>	
Purchased Services	97,432
Claims	1,949,200
<i>Total Operating Expenses</i>	2,046,632
<i>Changes in Net Position</i>	(1,659)
<i>Net Position at Beginning of Year</i>	103,371
<i>Net Position at End of Year</i>	\$101,712

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, 2014*

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	<u>Governmental Activities</u> <u>Internal Service</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Charges	\$2,044,973
Cash Payments for Goods and Services	(97,432)
Cash Payments for Claims	<u>(1,907,400)</u>
<i>Net Cash from Operating Activities</i>	<u>40,141</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>229,971</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$270,112</u></u>
 <b><u>Reconciliation of Operating Income(Loss)</u></b>	
<b><u>to Net Cash from Operating Activities:</u></b>	
<i>Operating Income(Loss)</i>	(\$1,659)
 <b><u>Adjustments to Reconcile Operating Income(Loss)</u></b>	
<b><u>to Net Cash from Operating Activities:</u></b>	
<i>Increase in Liabilities:</i>	
Claims Payable	<u>41,800</u>
Total Adjustments	<u>41,800</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$40,141</u></u>

See accompanying notes to the basic financial statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2014*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>Assets:</u></b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	<u>\$97</u>	<u>\$38,317</u>
<b><u>Liabilities:</u></b>		
Undistributed Monies	<u>0</u>	<u>\$38,317</u>
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	<u>\$97</u>	

See accompanying notes to the basic financial statements.

**ZANE TRACE LOCAL SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust Fund
<b><u>Additions:</u></b>	
Miscellaneous	\$50
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	53
<i>Change in Net Position</i>	(3)
<i>Net Position Beginning of Year</i>	100
<i>Net Position End of Year</i>	\$97

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, 2014*

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**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 49 non-certificated employees, 85 certificated full time teaching personnel and 4 administrative employees who provide services to 1,470 students and other community members. The District currently operates one instructional building.

**Reporting Entity**

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

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

The District participates in seven organizations, five of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, Coalition of Rural and Appalachian Schools, Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 18 and 19 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 account 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, 2014*

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**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.

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

**Proprietary Fund**

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private purpose trust fund used to account for assets held for individuals. The District's agency funds account for student activity programs and payroll checking account.

**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.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**Fund Financial Statements**

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

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

The agency fund does not report a measurement focus as it does not report operations.

**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, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 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 nonexchange transactions must also be available before it can be recognized.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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 statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to the liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30 2014, but which were levied to finance fiscal year 2015 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 delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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 2014 amounted to \$9,192 which includes \$2,845 assigned from other District funds.

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 20 for additional information regarding set-asides.

**I. Capital Assets**

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

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

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**J. Compensated Absences**

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

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

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

**K. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations 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, compensated absences, and special termination 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 and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**L. 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.



**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**M. Fund Balance Reserves**

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

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

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

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

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

**N. Operating Revenues and Expenses**

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



**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**O. 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 2014.

**P. 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.

**Q. Budgetary Process**

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

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 3 - RESTATEMENT OF NET POSITION**

During fiscal year 2014, the District determined that an adjustment was needed to properly report refunding bonds issued in June 2009. The adjustment resulted in a restatement of the prior period net position. The adjustment due to the restatement of the long-term liabilities had the following effect on net position as previously reported.

	Governmental Activities
Net Position, June 30, 2013	<u>\$12,167,601</u>
Restatement of long-term liabilities	<u>(107,447)</u>
Adjusted Net Position, June 30, 2013	<u><u>\$12,060,154</u></u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING- (Continued)**

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>	<u>General</u>
GAAP Basis	\$547,549
<i>Adjustments:</i>	
Revenue Accruals	13,346
Expenditure Accruals	(515,792)
Other Financing Uses	(53,951)
Encumbrances	141,803
<i>Prospective Difference:</i>	
Activity of Funds Reclassified For GAAP Reporting Purposes	11,335
Budget Basis	<u>\$144,290</u>

**NOTE 5 - ACCOUNTABILITY**

At June 30, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Miscellaneous State Grants	\$24,983
Title VI-B	15,039

The deficits in these funds resulted from the application of generally accepted accounting principles. The General Fund is liable for any deficit in these funds and provides transfers when cash is needed, rather than when accruals occur. These deficits do not exist on the cash basis.

**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.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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);
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.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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.

**Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all the District deposits was \$4,832,444, which excludes \$94,330 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$4,656,530 of the District's bank balance of \$4,906,530 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of all the respective depository banks and pledged as a pool of collateral against all of the public deposits it holds.

**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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 7 - PROPERTY TAXES** - (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility taxes which became measurable as of June 30, 2014 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, 2014 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, 2014 were \$316,607 for the General Fund, \$5,176 for the Classroom Facilities Maintenance Nonmajor Special Revenue Fund and \$24,998 for the Bond Retirement Nonmajor Debt Service Fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second - Half Collections		2014 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricualtural/Residential and Other Real Estate	\$178,252,110	95.52%	\$190,943,070	94.90%
Public Utility	8,357,050	4.48%	10,270,120	5.10%
Total Assessed Value	<u>\$186,609,160</u>	<u>100.00%</u>	<u>\$201,213,190</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$32.00		\$31.70	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follow:

	Amounts
<i>Nonmajor Special Revenue Funds:</i>	
Miscellaeous State Grants	\$52,193
Title VI-B	125,020
Title II-D	36,371
Title VI-R	18,368
<i>Total Nonmajor Special Revenue Funds</i>	<u>231,952</u>
<i>Total Intergovernmental Receivables</i>	<u>\$231,952</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 9- CAPITAL ASSETS**

A summary of the changes in capital assets during fiscal year 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
<u>Governmental Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$137,750	\$0	\$0	\$137,750
<i>Depreciable Capital Assets:</i>				
Land Improvements	411,016	0	0	411,016
Buildings and Improvements	17,599,426	0	0	17,599,426
Furniture, Fixtures, Equipment and Textbooks	2,658,509	27,297	(8,883)	2,676,923
Vehicles	1,324,322	0	(49,480)	1,274,842
Total Depreciable Capital Assets	<u>21,993,273</u>	<u>27,297</u>	<u>(58,363)</u>	<u>21,962,207</u>
Total Capital Assets	<u>22,131,023</u>	<u>27,297</u>	<u>(58,363)</u>	<u>22,099,957</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(212,595)	(18,046)	0	(230,641)
Buildings and Improvements	(5,146,861)	(344,722)	0	(5,491,583)
Furniture, Fixtures, Equipment and Textbooks	(1,854,511)	(139,708)	7,181	(1,987,038)
Vehicles	(1,108,849)	(56,657)	49,480	(1,116,026)
Total Accumulated Depreciation	<u>(8,322,816)</u>	<u>(559,133)</u>	<u>56,661</u>	<u>(8,825,288)</u>
Depreciable Capital Assets, Net	<u>13,670,457</u>	<u>(531,836)</u>	<u>(1,702)</u>	<u>13,136,919</u>
Governmental Activities Capital Assets, Net	<u>\$13,808,207</u>	<u>(\$531,836)</u>	<u>(\$1,702)</u>	<u>\$13,274,669</u>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 9 - CAPITAL ASSETS** - (Continued)

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$360,983
Special	50,783
<i>Support Services:</i>	
Pupils	827
Instructional Staff	1,181
Administration	2,862
Fiscal	1,461
Operation and Maintenance of Plant	58,621
Pupil Transportation	63,206
Central	7,085
Operation of Non-Instructional Services	6,004
Extracurricular Activities	6,120
	<hr/>
Total Depreciation Expense	<u><u>\$559,133</u></u>

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted with Liberty Mutual for property and fleet insurance and for boiler and machinery coverage. Insurance coverage provided includes the following:

Building and Contents (\$2,500 deductible)	\$39,697,777
Boiler and Machinery (\$2,500 deductible)	No Limit
Automobile Liability (\$1,000 deductible)	1,000,000
<i>General Liability:</i>	
Per occurrence	1,000,000
Total per year	1,000,000

For fiscal year 2014, 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 19).



**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 - RISK MANAGEMENT** - (Continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

*General Liability:*

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

*Employee Benefits Liability Endorsement:*

Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000

*Employer's Liability and Stop Gap Endorsement:*

Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000

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

Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	3,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	3,000,000

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.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 10 - RISK MANAGEMENT** - (Continued)

The School 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 cash balance with the fiscal agent at June 30, 2014, was \$94,330. 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, 2014, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

The claims liability of \$168,400 supported at June 30, 2014 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>
2013	\$0	\$2,148,747	\$2,022,147	\$126,600
2014	126,600	1,949,200	1,907,400	168,400

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**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, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$246,097, \$278,401, and \$248,747, respectively; which equaled the required contributions each year.

**State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** – (Continued)

***DB Plan Benefits*** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

***DC Plan Benefits*** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money amount various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

***Combined Plan Benefits*** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to healthcare coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** – (Continued)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$683,518, \$794,338 and \$662,138, respectively; 84.02 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 Comprehensive Annual Financial Report are available.

Additional information or copies of STRS Ohio's 2013 Comprehensive Annual Financial Report can be requested by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

**Postemployment Benefits** – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan** - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of the SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2014, this actuarially required allocation is 0.76. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,984, \$2,060 and \$2,057, respectively; which equaled the required contributions each year.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$28,808, \$29,923 and \$35,122, respectively.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**State Teachers Retirement System**

**Plan Description** – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$52,578, \$56,545 and \$50,934 respectively; 84.02 percent for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**NOTE 13 - 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 length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at 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 an additional \$50 for each accumulated sick day in excess of 180 days as additional severance pay.

**B. Special Termination Benefit**

The Board of Education approved a special termination 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 \$15,000 in their final paycheck.

**C. Life Insurance**

The District provides life insurance to most employees through Safeco.

**D. Deferred Compensation**

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



**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2014 for its governmental activities were as follows:

	Issue Date	Interest Rate	Restated Principal Outstanding at July 1, 2013	Additions	Deductions	Principal Outstanding at June 30, 2014	Amount Due In One Year
<i>Governmental Activities:</i>							
2009 Refunding Bonds							
Term Bonds	2009	2.50%	\$1,970,000	\$0	\$310,000	\$1,660,000	\$315,000
Capital Appreciation Bonds		4.50%	159,999	0	0	159,999	0
Accretion on Capital Appreciation Bonds		4.50%	56,791	17,104	0	73,895	0
Add Deferred Amounts:							
Premium on Bonds			55,709	0	7,958	47,751	7,959
Certificate of Participation			2,379,000	0	168,000	2,211,000	177,000
Capital Leases			1,832		1,687	145	145
Compensated Absences			594,264	257,404	198,618	653,050	167,059
Total Governmental Activities Long-Term Obligations			<u>\$5,217,595</u>	<u>\$274,508</u>	<u>\$686,263</u>	<u>\$4,805,840</u>	<u>\$667,163</u>

*Refunding General Obligation Bonds* - During fiscal year 2009, the District issued \$2,994,999 of general obligation bonds for the advance refunding of \$2,995,000 of the 1997 series bonds. The \$87,543 premium on the issuance of the refunding bonds is netted against this debt and is being amortized over the life of this debt, which has the same remaining life of the refunded debt of 11 years with a final maturity of December 1, 2019. The refunding was undertaken to reduce total future debt service payments over 11 years by \$349,880 and to obtain an economic gain of \$294,607. The refunding bonds are retired through the Bond Retirement Fund using tax revenues.

The term bonds maturing on December 1, 2019 (fiscal year 2020) are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and respective principal amounts as follows:

Year	Amount
2015	\$315,000
2016	325,000
2017	335,000
2018	335,000
2019	350,000



**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 14 - LONG-TERM OBLIGATIONS** - (Continued)

Term bonds maturing on December 1, 2019 are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2009, as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2009 and thereafter	100%

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal year 2020. The maturity amount of the bonds is \$355,000. For fiscal year 2014, \$17,104 was accreted on the capital appreciation bonds.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2014, are as follows:

2009 Refunding Bonds						
Year Ending June 30	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$315,000	\$107,910	\$0	\$0	\$315,000	\$107,910
2016	325,000	92,105	0	0	325,000	92,105
2017	335,000	75,210	0	0	335,000	75,210
2018	335,000	57,498	0	0	335,000	57,498
2019	350,000	39,240	0	0	350,000	39,240
2020	0	0	159,999	195,001	159,999	195,001
<b>Total</b>	<b>\$1,660,000</b>	<b>\$371,963</b>	<b>\$159,999</b>	<b>\$195,001</b>	<b>\$1,819,999</b>	<b>\$566,964</b>

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2014:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$177,000	\$111,907	\$288,907
2016	185,000	103,083	288,083
2017	194,000	93,652	287,652
2018	204,000	83,869	287,869
2019	214,000	73,581	287,581
2020-2024	1,237,000	195,234	1,432,234
<b>Total</b>	<b>\$2,211,000</b>	<b>\$661,326</b>	<b>\$2,872,326</b>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 14 - LONG-TERM OBLIGATIONS** - (Continued)

Capital leases will be 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 \$14,078,188 with an unvoted debt margin of \$201,213 at June 30, 2014.

The certificate of participation obligation relates to the construction of additions and improvements to the high school and middle school and the athletic facility. The District is leasing the project from the Columbus Airport Authority. The Columbus Airport Authority has assigned US Bank as trustee. US Bank deposited \$3,575,000 in the District's name with the escrow agent for the construction projects, in fiscal year 2005. During 2006, the District requested all of the funds previously held by the escrow agent. The District makes semi-annual payments to US Bank. Interest rates are based on a calculation of the TBMA Index. The certificate is renewable annually and expires in 2025. The intention of the District is to renew the certificate annually. The payments for this debt will be made from the General Fund.

**NOTE 15 - CAPITAL LEASE - LESSEE DISCLOSURE**

General capital assets consisting of copier equipment have been capitalized in the amount of \$7,535. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2014 totaled \$1,687 in the governmental funds. The assets acquired through capital lease as of June 30, 2014, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier Equipment	\$7,535	\$7,409	\$126

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$146
Less: Amount Representing Interest	<u>1</u>
Present Value of Net Minimum Lease Payments	<u><u>\$145</u></u>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$123,628	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Miscellaneous State Grants	0	52,140
Title VI-B	0	59,851
Title VI-R	0	11,637
Total Nonmajor Special Revenue Funds	<u>0</u>	<u>123,628</u>
Total	<u>\$123,628</u>	<u>\$123,628</u>

The balance of \$123,628 due to the General Fund from the funds listed is a result of negative cash balances in these funds. The General Fund is responsible for any deficit in these funds and interfund transactions were established to cover these expenditures. The purpose for these interfund balances is to eliminate the negative cash balances in these funds.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 17 – 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, 2014, fund balances are composed of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>			
Prepays	\$6,762	\$0	\$6,762
Inventory	22,398	0	22,398
<i>Total Nonspendable</i>	<u>29,160</u>	<u>0</u>	<u>29,160</u>
<i>Restricted:</i>			
Set-Asides	339,471	0	339,471
<i>Special Revenues:</i>			
Athletics	0	131,380	131,380
Facilities Maintenance	0	313,761	313,761
Food Service	0	310,492	310,492
Local Grants	0	1,279	1,279
State Grants	0	54,024	54,024
Federal Grants	0	71,990	71,990
Debt Service	0	403,145	403,145
<i>Total Restricted</i>	<u>339,471</u>	<u>1,286,071</u>	<u>1,625,542</u>
<i>Assigned:</i>			
<i>Encumbrances for:</i>			
Regular Instruction	10,460	0	10,460
Special Instruction	85	0	85
Board of Education	14,528	0	14,528
Administration	5,541	0	5,541
Fiscal	11,235	0	11,235
Operation & Maintenance of Plant	74,875	0	74,875
Pupil Transportation	23,820	0	23,820
Extracurricular Activities	1,259	0	1,259
Uniform School Supplies	17,044	0	17,044
Rotary	4,283	0	4,283
Public School Support	41,733	0	41,733
<i>Total Assigned</i>	<u>204,863</u>	<u>0</u>	<u>204,863</u>
<i>Unassigned</i>	<u>2,075,394</u>	<u>(40,022)</u>	<u>2,035,372</u>
<b>Total Fund Balances</b>	<u><u>\$2,648,888</u></u>	<u><u>\$1,246,049</u></u>	<u><u>\$3,894,937</u></u>

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, Jackson, Gallia, Pickaway, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid SCOCA \$155,707 for services provided during the year.

Financial information can be obtained from their fiscal agent, the Pike County Career and Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**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, Ben Van Horn, 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. 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.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** - (Continued)

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.

**E. Coalition of Rural and Appalachian Schools**

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

**NOTE 19 - 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 2014. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

**B. Ohio School Plan**

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

**Risk Pool Membership**

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

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

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 19 - INSURANCE PURCHASING POOLS** - (Continued)

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$6,841,599	\$5,351,369
Liabilities	<u>(4,052,930)</u>	<u>(2,734,952)</u>
Members Equity	<u>\$2,788,669</u>	<u>\$2,616,417</u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**NOTE 20 - 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 2014:

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2013*	\$270,711
Current Year Set-aside Requirement	265,863
Current Year Offset	(80,310)
Qualifying Disbursements	<u>(116,793)</u>
Set-aside Reserve Balance as of June 30, 2014	<u>\$339,471</u>
Set-aside Reserve Balance Carried Forward to FY 15	<u>\$339,471</u>

\*During fiscal year 2014, the District restated the beginning Set-aside Reserve Balance as of June 30, 2013. This restatement was made to include prior year offsets that were omitted.

**ZANE TRACE LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 21 – ENCUMBRANCE COMMITMENTS**

At June 30, 2014, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Fund</u>	
General	\$149,455
 <u>Nonmajor Funds</u>	
Food Service	6,600
Local Grants	67
Classroom Facilities Maintenance	47,500
Athletics and Bands	17,519
Miscellaneous State Grants	61,263
Title VIB	13,860
Total Nonmajor Funds	<u>146,809</u>
 Total Encumbrances	 <u><u>\$296,264</u></u>

**NOTE 22 - 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 is 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, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.



Zane Trace Local School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u> (Passed through Ohio Department of Education)				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 21,330	21,330
<i>Cash Assistance:</i>				
School Breakfast Program	006-000	10.553	54,975	54,975
National School Lunch Program	006-000	10.555	<u>207,769</u>	<u>207,769</u>
<i>Cash Assistance Subtotal</i>			<u>262,744</u>	<u>262,744</u>
Nutrition Cluster Total			<u>284,074</u>	<u>284,074</u>
Total U.S. Department of Agriculture			<u>284,074</u>	<u>284,074</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	572-9013	84.010	21,067	29,349
Title I Grants to Local Educational Agencies	572-9014	84.010	<u>229,214</u>	<u>225,800</u>
			<u>250,281</u>	<u>255,149</u>
Special Education - Grants to States	516-9013	84.027	17,003	35,177
Special Education - Grants to States	516-9014	84.027	<u>187,642</u>	<u>231,822</u>
			<u>204,645</u>	<u>266,999</u>
Improving Teacher Quality State Grants	590-9013	84.367	5,152	20,843
Improving Teacher Quality State Grants	590-9014	84.367	<u>31,192</u>	<u>30,619</u>
			<u>36,344</u>	<u>51,462</u>
Total U.S. Department of Education			<u>491,270</u>	<u>573,610</u>
Total Federal Awards			\$ <u>775,344</u>	<u>857,684</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Zane Trace Local School District:

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zane Trace Local School District ("School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

## **Zane Trace Local School District's Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 19, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Zane Trace Local School District:

**Report on Compliance for Each Major Federal Program**

We have audited Zane Trace Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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## Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 19, 2014

Zane Trace Local School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2014

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>Nutrition Cluster:</i>	
<i>CFDA 10.553 – School Breakfast Program</i>	
<i>CFDA 10.555 – National School Lunch Program</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

## **Section II - Financial Statement Findings**

### **2014-001 – Audit Adjustments**

*Condition:* During the course of our audit, we identified nine misstatements for the year under audit that were not initially identified by the School District's internal control over financial reporting. 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 deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed and we consider this a material weakness.

Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to properly record the capital improvement set-aside, intergovernmental receivables, claims payable, capital appreciation bonds, deferred charge on refunding, compensated absences, accrued wages, and accrued benefits. Additionally, the School District has been reporting 1997 bonds in the long-term debt footnote even though this debt was refunded in 2009.

We recommend the School District enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years and improved communication with its hired consultant to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

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

**None**

## **Section IV – Schedule of Prior Audit Findings**

**None**

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# Dave Yost • Auditor of State

**ZANE TRACE LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2015**