

EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
East Knox Local School District
23201 Coshocton Rd
Howard, OH 43028

We have reviewed the *Independent Auditor's Report* of the East Knox Local School District, Knox County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. 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 East Knox Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 04, 2021

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**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

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Independent Auditor's Report

East Knox Local School District
Knox County
23201 Coshocton Road
Howard, Ohio 43028

To the Members of the Board of Education:

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 East Knox Local School District, Knox County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the East Knox Local 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 East Knox Local School District'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 East Knox Local School District'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.

Opinions

In our opinion, the financial statements referred to above 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 East Knox Local School District, Knox County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the East Knox Local School District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the East Knox Local School District. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions* listed in the table of contents, 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Knox 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the East Knox 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Knox Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Knox Local School District's internal control over financial reporting and compliance.



**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of the East Knox Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities increased \$3,011,341 which represents a 134.52% increase over the 2019's restated balance of \$2,238,654. This increase is primarily from an increase in property tax revenues.
- General revenues accounted for \$14,352,454 in revenue or 84.61% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$2,609,621 or 15.39% of total revenues of \$16,962,075.
- The District had \$13,950,734 in expenses related to governmental activities; only \$2,609,621 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,352,454 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the building fund. The general fund had \$12,664,536 in revenues and other financing sources and \$11,305,360 in expenditures. During fiscal 2020, the general fund's fund balance increased \$1,359,176 from \$7,193,741 to \$8,552,917.
- The bond retirement fund had \$11,449,059 in revenues and other financing sources and \$10,516,555 in expenditures and other financing uses. During fiscal 2020, the bond retirement fund's fund balance increased \$932,504 from \$788,674 to \$1,721,178.
- The building fund had \$19,523,221 in revenues and other financing sources and \$827,272 in expenditures. During fiscal 2020, the building fund's fund balance increased \$18,695,949 from \$0 to \$18,695,949.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement and the building fund are by far the most significant funds, and the only governmental funds reported as a major funds.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. 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 major governmental funds are the general fund, the bond retirement fund, and the building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund, accounts for medical, vision, dental and prescription benefits self-insurance. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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. These notes to the basic financial statements can be found on pages 26-68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability and District contributions for pension and OPEB. The required supplementary information can be found on pages 69 - 84 of this report.

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**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3B.

	Net Position	
	Governmental Activities <u>2020</u>	Restated Governmental Activities <u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 40,913,092	\$ 18,362,437
Capital assets, net	<u>10,258,148</u>	<u>9,979,404</u>
Total assets	<u>51,171,240</u>	<u>28,341,841</u>
<u>Deferred outflows of resources</u>		
Deferred charges on refunding	65,243	69,769
Pension	1,835,942	2,393,296
OPEB	<u>206,784</u>	<u>152,874</u>
Total deferred outflows of resources	<u>2,107,969</u>	<u>2,615,939</u>
<u>Liabilities</u>		
Current liabilities	1,252,046	1,107,371
Long-term liabilities	<u>38,938,761</u>	<u>19,897,600</u>
Total liabilities	<u>40,190,807</u>	<u>21,004,971</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	6,285,810	5,698,947
Pension	648,710	1,119,308
OPEB	<u>903,887</u>	<u>895,900</u>
Total deferred inflows of resources	<u>7,838,407</u>	<u>7,714,155</u>
<u>Net Position</u>		
Net investment in capital assets	419,591	405,690
Restricted	3,379,411	1,731,200
Unrestricted (deficit)	<u>1,450,993</u>	<u>101,764</u>
Total net position	<u>\$ 5,249,995</u>	<u>\$ 2,238,654</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

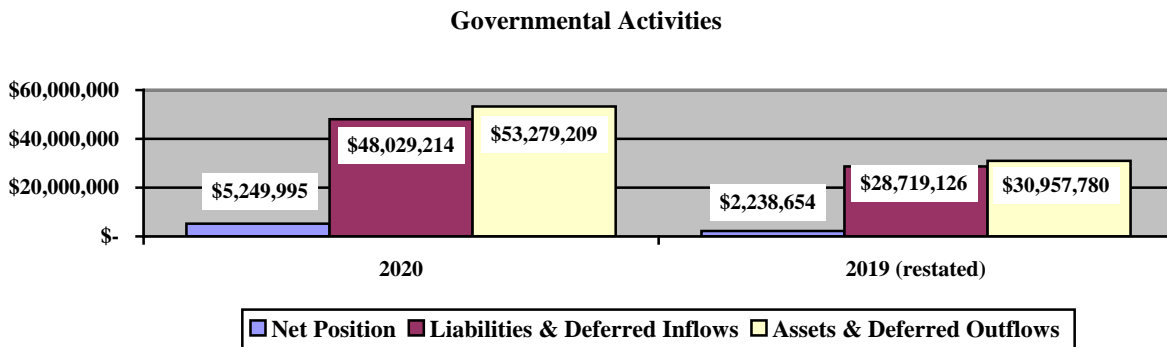
In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$5,249,995.

At year end, capital assets represented 20.05% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2020, was \$419,591. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,379,411, represents resources that are subject to external restriction on how they may be used.

The graph below illustrates the governmental activities assets, liabilities and net position at June 30, 2020 and 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.



**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3B.

	Change in Net Position	
	Governmental Activities	Restated Governmental Activities
	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,040,858	\$ 957,074
Operating grants and contributions	1,553,763	1,290,120
Capital grants and contributions	15,000	-
General revenues:		
Property taxes	8,926,059	7,836,524
Grants and entitlements	4,537,597	4,817,612
Investment earnings	776,511	275,648
Miscellaneous	<u>112,287</u>	<u>27,662</u>
Total revenues	<u>\$ 16,962,075</u>	<u>\$ 15,204,640</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,679,374	\$ 3,050,031
Special	1,630,093	1,282,350
Vocational	227,973	190,280
Other	2,443,761	2,314,605
Support services:		
Pupil	684,234	553,769
Instructional staff	162,897	142,928
Board of education	13,526	11,230
Administration	935,450	783,010
Fiscal	457,433	399,555
Operations and maintenance	948,233	1,038,024
Pupil transportation	866,657	898,510
Central	179,870	194,676
Operation of non-instructional services:		
Other non-instructional services	66,397	3,099
Food service operations	476,896	484,593
Extracurricular activities	417,833	397,927
Interest and fiscal charges	726,357	281,623
Debt issuance costs	<u>33,750</u>	<u>-</u>
Total expenses	<u>13,950,734</u>	<u>12,026,210</u>
Change in net position	3,011,341	3,178,430
Net position (deficit) at beginning of year	<u>2,238,654</u>	<u>(939,776)</u>
Net position at end of year	<u>\$ 5,249,995</u>	<u>\$ 2,238,654</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

Net position of the District's governmental activities increased \$3,011,341 over the 2019 restated balance. Total governmental expenses of \$13,950,734 were offset by program revenues of \$2,609,621 and general revenues of \$14,352,454. Program revenues supported 18.71% of the total governmental expenses.

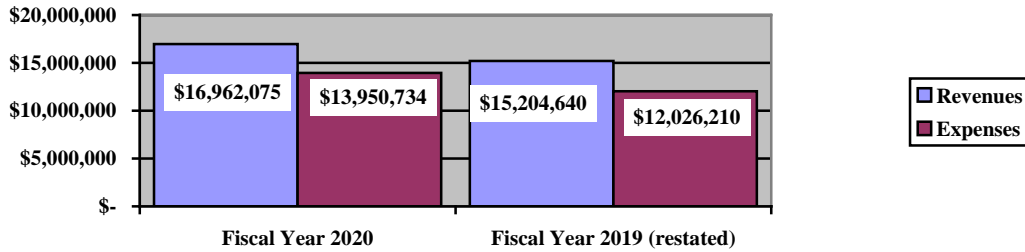
Expenses of the governmental activities increased \$1,924,524 or 16.00%. This increase is primarily the result of an increase in pension and OPEB expenses compared to the previous fiscal year. Pension expense in fiscal year 2020 was \$978,605 compared to \$406,357 in fiscal year 2019 and OPEB expense was (\$144,698) in fiscal year 2020 compared to (\$1,019,701) in fiscal year 2019. These both increase primarily due to activity occurring at the State Teachers Retirement System (STRS).

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 79.38% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,981,201 or 57.21% of total governmental expenses for fiscal year 2020.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities - Revenues and Expenses



**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Restated Total Cost of Services <u>2019</u>	Restated Net Cost of Services <u>2019</u>
Program expenses				
Instruction:				
Regular	\$ 3,679,374	\$ 3,050,074	\$ 3,050,031	\$ 2,498,836
Special	1,630,093	837,807	1,282,350	533,581
Vocational	227,973	199,757	190,280	162,064
Other	2,443,761	2,403,101	2,314,605	2,245,907
Support services:				
Pupil	684,234	415,970	553,769	543,118
Instructional staff	162,897	111,460	142,928	101,112
Board of education	13,526	13,526	11,230	11,230
Administration	935,450	803,203	783,010	654,053
Fiscal	457,433	457,433	399,555	397,755
Operations and maintenance	948,233	918,233	1,038,024	1,022,944
Pupil transportation	866,657	860,268	898,510	892,113
Central	179,870	179,870	194,676	194,676
Operation of non-instructional services:				
Other non-instructional services	66,397	66,397	3,099	3,099
Food service operations	476,896	56,483	484,593	40,607
Extracurricular activities	417,833	207,424	397,927	196,298
Interest and fiscal charges	726,357	726,357	281,623	281,623
Debt issuance costs	33,750	33,750	-	-
Total expenses	<u>\$ 13,950,734</u>	<u>\$ 11,341,113</u>	<u>\$ 12,026,210</u>	<u>\$ 9,779,016</u>

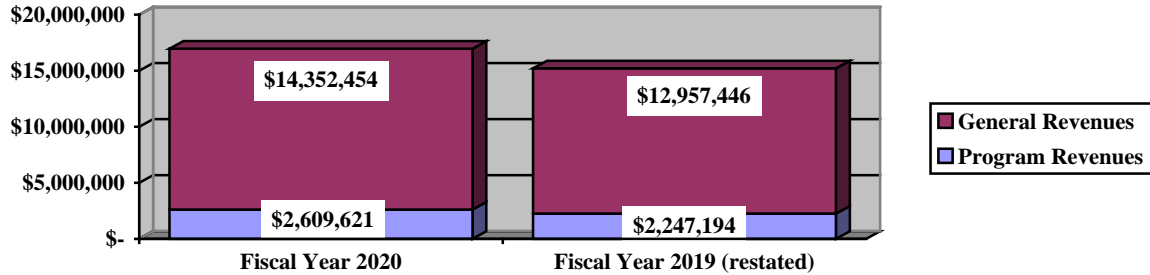
The dependence upon tax and other general revenues for governmental activities is apparent; 81.33% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.29%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$29,931,737, which is a higher balance than last year's total restated balance of \$8,595,489. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. The fund balances at June 30, 2019 have been restated as described in Note 3B.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Increase
General	\$ 8,552,917	\$ 7,193,741	\$ 1,359,176
Bond retirement	1,721,178	788,674	932,504
Building	18,695,949	-	18,695,949
Other governmental	<u>961,693</u>	<u>613,074</u>	<u>348,619</u>
Total	<u>\$ 29,931,737</u>	<u>\$ 8,595,489</u>	<u>\$ 21,336,248</u>

General Fund

The District's general fund balance increased \$1,359,176. The primary revenue source of the general fund is property tax revenues. Property tax revenues represent \$6,739,438 or 53.67% of general fund revenues. Intergovernmental revenue makes up \$4,656,654 or 37.08% of the general fund revenues. These primarily consist of governmental revenues from the State.

The largest expenditure of the general fund is instruction which total \$7,348,418 or 65.00% of general fund expenditures. Instruction expenditures consist of primarily of District employee wages and benefits.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,739,438	\$ 6,267,244	\$ 472,194	7.53 %
Tuition	672,416	614,114	58,302	9.49 %
Earnings on investments	353,934	260,485	93,449	35.88 %
Intergovernmental	4,656,654	4,995,229	(338,575)	(6.78) %
Other revenues	<u>135,852</u>	<u>114,306</u>	<u>21,546</u>	18.85 %
Total	<u>\$ 12,558,294</u>	<u>\$ 12,251,378</u>	<u>\$ 306,916</u>	2.51 %
<u>Expenditures</u>				
Instruction	\$ 7,348,418	\$ 7,032,452	\$ 315,966	4.49 %
Support services	3,581,048	3,702,659	(121,611)	(3.28) %
Operation of non-instructional services	50,091	9,567	40,524	423.58 %
Extracurricular activities	219,561	225,192	(5,631)	(2.50) %
Facilities acquisition and construction	-	80,197	(80,197)	(100.00) %
Debt service	<u>106,242</u>	<u>-</u>	<u>106,242</u>	100.00 %
Total	<u>\$ 11,305,360</u>	<u>\$ 11,050,067</u>	<u>\$ 255,293</u>	2.31 %

Bond Retirement Fund

The bond retirement fund had \$11,449,059 in revenues and other financing sources and \$10,516,555 in expenditures and other financing uses. During fiscal 2020, the bond retirement fund's fund balance increased \$932,504 from \$788,764 to \$1,721,178.

Building Fund

The building fund had \$19,523,221 in revenues and other financing sources and \$827,272 in expenditures. During fiscal 2020, the building fund's fund balance increased \$18,695,949 from \$0 to \$18,695,949.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$12,398,317, which was higher than the original budgeted revenues and other financing sources of \$11,780,170. Actual revenues and other financing sources for fiscal 2020 were \$12,384,848 which was \$13,469 lower than the final budgeted revenues.

General fund original appropriations and other financing uses of \$11,562,011 were increased to \$11,610,609 in the final budget. The actual budget basis expenditures for fiscal year 2020 totaled \$11,453,050, which was \$157,559 less than the final budgeted appropriations.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$10,258,148 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2020 balances compared to the 2019:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 243,950	\$ 243,950
Construction in progress	511,365	74,752
Land improvements	351,530	407,701
Building and improvements	8,168,737	8,309,989
Furniture and equipment	410,123	355,306
Vehicles	572,443	587,706
Total	\$ 10,258,148	\$ 9,979,404

The overall increase in capital assets of \$278,744 is due to capital outlays of \$855,862 exceeding depreciation expense of \$570,687 and net disposals of \$6,431.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2020, the District had \$26,970,000 in general obligation bonds and \$126,728 in lease purchase agreements outstanding. Of this total, \$907,339 is due within one year and \$26,189,389 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2020 compared to 2019.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2020	2019
General obligation bonds	\$ 26,970,000	\$ 8,850,000
Lease purchase agreements	126,728	187,083
Total	\$ 27,096,728	\$ 9,037,083

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Current Financial Related Activities

The most significant issue for the District for the past thirteen years has been the financial situation; specifically, the general operating fund. There was deficit spending in 2007-2013. The Board worked prudently for several years to build a cash balance for situations like this, but the balance dwindled due to deficit spending. The District approved over \$500,000 in budget cuts for 2010, an additional \$600,000 in 2011, and further reductions were made to start the 2011-2012 school year. Most of the cuts were personnel related. The District had high staff turnover in 2012-2013, 2013-2014, 2014-2015, and 2015-2016. In addition, an elementary K-4 building was closed, and the District consolidated to two buildings (K-6) and 7-12. As a result, the District finished 2014, 2015, and 2016 with an operating surplus. In November 2017, the District passed a \$1.2 million emergency operating levy. The District started receiving those funds in January 2016 and as a result, finished fiscal years 2017-2020 with revenues exceeding expenses.

For the past four years revenues have increased, due in part to the levy passage. Tax revenues increased approximately \$708,062 for 2017, \$759,265 for 2018, \$73,677 for 2019, and \$111,252 for 2020. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. The District had seen a large amount of delinquencies in the past few years and high rate of foreclosures in the area, but property values and sales have started to pick back up recently.

The District has seen no increase in State revenue over the past several years. Since fiscal year 2007 the District has been on the guarantee for state funding. During this time there have been several reductions in state funding. Due to funding reductions by the State of Ohio due to COVID-19, the District had a reduction of \$344,806 in Intergovernmental funds in fiscal year 2020. This reduction is also anticipated in fiscal year 2021.

The District passed a bond issue for construction and renovation of the existing 7-12 building. The bond issue passed for \$19,000,000 and bonds were issued in the Spring 2020 to start this project. The District anticipates the building opening in the Fall of 2022.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jessica Busenburg, Treasurer of East Knox Local School District, 23201 Coshocton Road, Howard, Ohio 43028.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 28,666,800
Cash with fiscal agent	1,194,542
Receivables:	
Property taxes	10,245,305
Accounts.	5,088
Accrued interest	84,541
Intergovernmental	85,439
Prepayments	101,633
Materials and supplies inventory.	9,700
Inventory held for resale.	11,390
Net OPEB asset	508,654
Capital assets:	
Nondepreciable capital assets	755,315
Depreciable capital assets, net.	9,502,833
Capital assets, net.	10,258,148
Total assets.	51,171,240
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	65,243
Pension	1,835,942
OPEB	206,784
Total deferred outflows of resources	2,107,969
Liabilities:	
Accounts payable.	31,142
Contracts payable.	68,596
Accrued wages and benefits payable	710,376
Intergovernmental payable	74,436
Pension and postemployment benefits payable	133,232
Accrued interest payable	115,198
Claims payable.	119,066
Long-term liabilities:	
Due within one year.	1,016,157
Due in more than one year:	
Net pension liability	8,842,612
Other amounts due in more than one year	28,194,110
Net OPEB liability	885,882
Total liabilities	40,190,807
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,285,810
Pension	648,710
OPEB	903,887
Total deferred inflows of resources	7,838,407
Net position:	
Net investment in capital assets	419,591
Restricted for:	
Capital projects	1,106,926
Debt service.	1,922,149
Locally funded programs	10,535
State funded programs.	173,916
Federally funded programs	26,510
Student activities	81,736
Other purposes	57,639
Unrestricted.	1,450,993
Total net position.	\$ 5,249,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and Changes</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>in Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 3,679,374	\$ 629,167	\$ 133	\$ -	\$ (3,050,074)
Special	1,630,093	69,534	722,752	-	(837,807)
Vocational	227,973	-	28,216	-	(199,757)
Other	2,443,761	-	40,660	-	(2,403,101)
Support services:					
Pupil	684,234	-	268,264	-	(415,970)
Instructional staff	162,897	-	51,437	-	(111,460)
Board of education	13,526	-	-	-	(13,526)
Administration	935,450	44,659	87,588	-	(803,203)
Fiscal	457,433	-	-	-	(457,433)
Operations and maintenance	948,233	-	15,000	15,000	(918,233)
Pupil transportation	866,657	4,111	2,278	-	(860,268)
Central	179,870	-	-	-	(179,870)
Operation of non-instructional services:					
Other non-instructional services	66,397	-	-	-	(66,397)
Food service operations	476,896	111,698	308,715	-	(56,483)
Extracurricular activities	417,833	181,689	28,720	-	(207,424)
Interest and fiscal charges	726,357	-	-	-	(726,357)
Debt issuance costs	33,750	-	-	-	(33,750)
Total governmental activities	\$ 13,950,734	\$ 1,040,858	\$ 1,553,763	\$ 15,000	(11,341,113)
General revenues:					
Property taxes levied for:					
General purposes					6,616,465
Debt service					1,657,580
Capital outlay					652,014
Grants and entitlements not restricted to specific programs					4,537,597
Investment earnings					776,511
Miscellaneous					112,287
Total general revenues					14,352,454
Change in net position					3,011,341
Net position at beginning of year (restated)					2,238,654
Net position at end of year					\$ 5,249,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 7,756,638	\$ 1,304,068	\$ 18,748,732	\$ 857,362	\$ 28,666,800
Receivables:					
Property taxes.	7,675,457	1,807,289	-	762,559	10,245,305
Accounts	2,443	-	-	2,645	5,088
Accrued interest	24,180	-	60,361	-	84,541
Interfund loans	5,326	-	-	-	5,326
Intergovernmental.	18,994	-	-	66,445	85,439
Prepayments.	96,973	-	4,400	260	101,633
Materials and supplies inventory.	7,117	-	-	2,583	9,700
Inventory held for resale.	-	-	-	11,390	11,390
Total assets	<u>\$ 15,587,128</u>	<u>\$ 3,111,357</u>	<u>\$ 18,813,493</u>	<u>\$ 1,703,244</u>	<u>\$ 39,215,222</u>
Liabilities:					
Accounts payable	\$ 23,284	\$ -	\$ 5,643	\$ 2,215	\$ 31,142
Contracts payable.	-	-	68,596	-	68,596
Accrued wages and benefits payable	633,617	-	-	76,759	710,376
Compensated absences payable	39,381	-	-	-	39,381
Intergovernmental payable	73,394	-	-	1,042	74,436
Pension and postemployment benefits payable	119,810	-	-	13,422	133,232
Interfund loans payable.	-	-	-	5,326	5,326
Total liabilities.	<u>889,486</u>	<u>-</u>	<u>74,239</u>	<u>98,764</u>	<u>1,062,489</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	4,739,393	1,074,010	-	472,407	6,285,810
Delinquent property tax revenue not available.	1,360,878	316,169	-	134,999	1,812,046
Intergovernmental revenue not available.	18,994	-	-	35,381	54,375
Accrued interest not available.	24,171	-	43,305	-	67,476
Miscellaneous revenue not available.	1,289	-	-	-	1,289
Total deferred inflows of resources	<u>6,144,725</u>	<u>1,390,179</u>	<u>43,305</u>	<u>642,787</u>	<u>8,220,996</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	7,117	-	-	2,583	9,700
Prepays.	96,973	-	4,400	260	101,633
Restricted:					
Debt service	-	1,721,178	-	-	1,721,178
Capital improvements	-	-	18,691,549	674,581	19,366,130
Food service operations	-	-	-	54,796	54,796
Other purposes.	-	-	-	14,135	14,135
Extracurricular.	-	-	-	81,736	81,736
Student success and wellness	-	-	-	170,316	170,316
Committed:					
Other purposes.	112,435	-	-	-	112,435
Assigned:					
Student instruction	39,660	-	-	-	39,660
Student and staff support.	72,571	-	-	-	72,571
Extracurricular activities	28,307	-	-	-	28,307
School supplies	15,318	-	-	-	15,318
Unassigned (deficit)	8,180,536	-	-	(36,714)	8,143,822
Total fund balances	<u>8,552,917</u>	<u>1,721,178</u>	<u>18,695,949</u>	<u>961,693</u>	<u>29,931,737</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,587,128</u>	<u>\$ 3,111,357</u>	<u>\$ 18,813,493</u>	<u>\$ 1,703,244</u>	<u>\$ 39,215,222</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	29,931,737
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,258,148
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,812,046	
Accounts receivable		1,289	
Accrued interest receivable		67,476	
Intergovernmental receivable		54,375	
Total		1,935,186	1,935,186
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,075,476
Unamortized premiums on bonds issued are not recognized in the funds.			(1,692,176)
Unamortized amounts on refundings are not recognized in the funds.			65,243
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		1,835,942	
Deferred inflows of resources - pension		(648,710)	
Net pension liability		(8,842,612)	
Total		(7,655,380)	(7,655,380)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		206,784	
Deferred inflows of resources - OPEB		(903,887)	
Net OPEB asset		508,654	
Net OPEB liability		(885,882)	
Total		(1,074,331)	(1,074,331)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(115,198)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(26,970,000)	
Lease purchase agreement obligation		(126,728)	
Compensated absences		(381,982)	
Total		(27,478,710)	(27,478,710)
Net position of governmental activities		\$	5,249,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 6,739,438	\$ 1,501,316	\$ -	\$ 665,585	\$ 8,906,339
Tuition	672,416	-	-	-	672,416
Transportation fees	4,111	-	-	-	4,111
Earnings on investments	353,934	-	372,636	314	726,884
Charges for services	-	-	-	111,711	111,711
Extracurricular	13,189	-	-	169,156	182,345
Classroom materials and fees	25,416	-	-	-	25,416
Contributions and donations	15,862	-	-	9,575	25,437
Contract services	44,659	-	-	-	44,659
Other local revenues	32,615	-	-	83,604	116,219
Intergovernmental - state	4,544,805	107,882	-	348,960	5,001,647
Intergovernmental - federal	111,849	-	-	954,587	1,066,436
Total revenues	12,558,294	1,609,198	372,636	2,343,492	16,883,620
Expenditures:					
Current:					
Instruction:					
Regular	3,434,004	-	103,320	36,387	3,573,711
Special	1,270,059	-	-	432,818	1,702,877
Vocational	234,919	-	-	-	234,919
Other	2,409,436	-	-	41,001	2,450,437
Support services:					
Pupil	597,552	-	-	101,533	699,085
Instructional staff	114,651	-	-	51,446	166,097
Board of education	13,342	-	-	-	13,342
Administration	858,632	-	-	92,689	951,321
Fiscal	418,287	24,376	3,082	15,328	461,073
Operations and maintenance	813,248	-	-	379,071	1,192,319
Pupil transportation	615,091	-	-	142,785	757,876
Central	150,245	-	-	23,819	174,064
Operation of non-instructional services:					
Other non-instructional services	50,091	-	-	15,669	65,760
Food service operations	-	-	-	422,583	422,583
Extracurricular activities	219,561	-	-	173,642	393,203
Facilities acquisition and construction	-	-	570,285	-	570,285
Debt service:					
Principal retirement	-	9,955,000	-	60,355	10,015,355
Interest and fiscal charges	-	461,987	-	6,156	468,143
Refunding bond issuance costs	106,242	41,033	150,585	-	297,860
Debt issuance costs	-	33,750	-	-	33,750
Total expenditures	11,305,360	10,516,146	827,272	1,995,282	24,644,060
Excess (deficiency) of revenues over (under) expenditures	1,252,934	(8,906,948)	(454,636)	348,210	(7,760,440)
Other financing sources (uses):					
Premium on bonds sold	106,242	764,861	150,585	-	1,021,688
Sale of bonds	-	9,075,000	9,500,000	-	18,575,000
Sale of notes	-	-	9,500,000	-	9,500,000
Transfers in	-	-	-	409	409
Transfers (out)	-	(409)	-	-	(409)
Total other financing sources (uses)	106,242	9,839,452	19,150,585	409	29,096,688
Net change in fund balances	1,359,176	932,504	18,695,949	348,619	21,336,248
Fund balances at beginning of year (restated)	7,193,741	788,674	-	613,074	8,595,489
Fund balances at end of year	\$ 8,552,917	\$ 1,721,178	\$ 18,695,949	\$ 961,693	\$ 29,931,737

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

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, 2020

Net change in fund balances - total governmental funds	\$	21,336,248
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 855,862	
Current year depreciation	<u>(570,687)</u>	
Total		285,175
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(6,431)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	19,720	
Earnings on investments	49,941	
Charges for service	(13)	
Classroom materials and fees	213	
Miscellaneous	773	
Intergovernmental	<u>(7,179)</u>	
Total		63,455
Repayment of bonds, notes and lease purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Bonds	455,000	
Lease purchase agreement	60,355	
Bond anticipation notes	<u>9,500,000</u>	
Total		10,015,355
Proceeds of notes and bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(28,075,000)
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(974,568)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	(89,991)	
Amortization of bond premiums	59,729	
Amortization of deferred charges	<u>(4,526)</u>	
Total		(34,788)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		690,292
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(978,605)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		23,736
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		144,698
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		52,422
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>469,352</u>
Change in net position of governmental activities	\$	<u>3,011,341</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 6,199,694	\$ 6,525,015	\$ 6,525,015	\$ -
Tuition	638,892	672,416	672,416	-
Transportation fees	3,906	4,111	4,111	-
Earnings on investments	204,281	215,000	204,062	(10,938)
Extracurricular	6,794	7,149	7,149	-
Classroom materials and fees	5,938	6,250	6,132	(118)
Contributions and donations	15,071	15,862	15,862	-
Contract services	42,432	44,659	44,659	-
Other local revenues	23,891	25,145	25,145	-
Intergovernmental - state	4,317,995	4,544,575	4,542,162	(2,413)
Intergovernmental - federal	106,450	112,036	112,036	-
Total revenues	<u>11,565,344</u>	<u>12,172,218</u>	<u>12,158,749</u>	<u>(13,469)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,440,882	3,455,346	3,442,165	13,181
Special	1,273,087	1,278,438	1,278,334	104
Vocational	236,783	237,778	235,107	2,671
Other	2,400,862	2,410,953	2,407,300	3,653
Support services:				
Pupil	627,135	629,771	613,000	16,771
Instructional staff	119,554	120,057	114,646	5,411
Board of education	13,414	13,470	13,383	87
Administration	857,227	860,830	859,420	1,410
Fiscal	421,552	423,324	421,593	1,731
Operations and maintenance	956,029	960,047	863,906	96,141
Pupil transportation	613,197	615,774	615,253	521
Central	164,813	165,506	150,378	15,128
Other operation of non-instructional services	30,497	30,625	30,625	-
Extracurricular activities	241,433	242,448	241,698	750
Debt service:				
Debt issuance costs	105,797	106,242	106,242	-
Total expenditures	<u>11,502,262</u>	<u>11,550,609</u>	<u>11,393,050</u>	<u>157,559</u>
Excess of revenues over expenditures	<u>63,082</u>	<u>621,609</u>	<u>765,699</u>	<u>144,090</u>
Other financing sources (uses):				
Refund of prior year's expenditures	56,873	59,857	59,857	-
Transfers in	47,507	50,000	50,000	-
Transfers (out)	(49,791)	(50,000)	(50,000)	-
Advances in	9,501	10,000	10,000	-
Advances (out)	(9,958)	(10,000)	(10,000)	-
Premium on bonds sold	100,945	106,242	106,242	-
Total other financing sources (uses)	<u>155,077</u>	<u>166,099</u>	<u>166,099</u>	<u>-</u>
Net change in fund balance	<u>218,159</u>	<u>787,708</u>	<u>931,798</u>	<u>144,090</u>
Fund balance at beginning of year	6,327,934	6,327,934	6,327,934	-
Prior year encumbrances appropriated	138,548	138,548	138,548	-
Fund balance at end of year	<u>\$ 6,684,641</u>	<u>\$ 7,254,190</u>	<u>\$ 7,398,280</u>	<u>\$ 144,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,194,542
Total assets.	<u>1,194,542</u>
Liabilities:	
Claims payable	<u>119,066</u>
Total liabilities	<u>119,066</u>
Net position:	
Unrestricted	<u>1,075,476</u>
Total net position.	<u><u>\$ 1,075,476</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 1,793,387
Total operating revenues	<u>1,793,387</u>
Operating expenses:	
Claims	<u>1,351,349</u>
Total operating expenses.	<u>1,351,349</u>
Operating income.	<u>442,038</u>
Nonoperating revenues:	
Interest revenue	<u>27,314</u>
Total nonoperating revenues.	<u>27,314</u>
Change in net position	469,352
Net position at beginning of year	<u>606,124</u>
Net position at end of year	<u>\$ 1,075,476</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash receipts from charges for services	\$ 1,793,387
Cash payments for contractual services	<u>(1,414,323)</u>
Net cash provided by operating activities	<u>379,064</u>
Cash flows from investing activities:	
Interest received	<u>27,314</u>
Net cash provided by investing activities	<u>27,314</u>
Net increase in cash and cash equivalents	406,378
Cash and cash equivalents at beginning of year . . .	<u>788,164</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,194,542</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 442,038
Changes in assets and liabilities:	
Decrease in claims payable	<u>(62,974)</u>
Net cash provided by operating activities	<u><u>\$ 379,064</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE DISTRICT

East Knox 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, five-member Board. The Board controls the Local District staffed by 65 certified teaching personnel, 40 non-certified support personnel and 7 administrative personnel to provide services to approximately 1,190 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

META Solutions

The District is a participant in the META Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and Metropolitan Educational Council (MEC). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2020, the District paid META Solutions \$27,745 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

INSURANCE PURCHASING POOLS

Sheakley Worker's Compensation Group Rating Plan

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a Board of thirteen school superintendents, business managers and treasurers. Harcum- Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. Nearly 300 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Hylant Administrative Services, LLC., 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603.

The Jefferson Health Plan

The District is a participant with several other school districts in an insurance purchasing pool operated through The Jefferson Health Plan. The Jefferson Health Plan was formed for the purpose of providing a cooperative program to administer medical, prescription, vision, and dental benefits for employees and dependents of participating entities. The Jefferson Health Plan is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the retirement of bonds.

Building fund - The building fund is used to account for resources that are restricted for capital outlays including the acquisition or construction of capital facilities and other capital assets. This fund accounts for receipts and expenditures related to all special bond funds in the District. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or 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, dental 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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District does not have any fiduciary funds.

C. Basis of Presentation - Fund Accounting and Measurement Focus

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. These statements distinguish between those activities that are governmental and those that are considered business-type activities. The District has no business-type activities. The internal service fund operating activities are eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services (premiums). The principal operating expense for the internal service fund is for claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty 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 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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, see Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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 liabilities, both the government-wide statement of net position and the governmental fund financial statements 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, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources 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, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the District Treasurer.

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at the legal levels of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the general fund must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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 budget amounts reflect the first appropriations that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

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

During the fiscal year, the District had investments in federal agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, commercial paper, U.S. Government money market and U.S. Treasury Notes. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2020 amounted to \$353,934, which includes \$83,518 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. 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.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2020, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the governmental funds balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable by an amount equal to the carrying value of the asset on the fund financial statements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, net pension and other postemployment benefit liabilities and compensated absences 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 during the current year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Fund Balance

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

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

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

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

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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. The amount restricted for other purposes represents amounts restricted for food service operations.

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

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2020, neither type of transaction occurred.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Q. Bond Issuance Costs/Unamortized Bond Premium and Discount/Deferred Loss or Gain on Debt Refunding

On government-wide and fund financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources (loss) or deferred inflow of resources (gain) on the statement of net position.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

T. Interfund Activity

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

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, “*Fiduciary Activities*” and GASB Statement No. 90, “*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 7,193,741	\$ 788,674	\$ -	\$ 573,954	\$ 8,556,369
GASB Statement No. 84	-	-	-	39,120	39,120
Restated Fund Balance, at June 30, 2019	<u>\$ 7,193,741</u>	<u>\$ 788,674</u>	<u>\$ -</u>	<u>\$ 613,074</u>	<u>\$ 8,595,489</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 2,199,534
GASB Statement No. 84	<u>39,120</u>
Restated net position at June 30, 2019	<u>\$ 2,238,654</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Due to the implementation of GASB Statement No.84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$39,120.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

<u>Nonmajor funds</u>	<u>Deficit</u>
Coronavirus Relief Fund	\$ 5,326
IDEA, Part B	4,358
Title I - Disadvantaged Children	27,030

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**EAST KNOX LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

A. Cash on Hand

As of June 30, 2020, the District had \$350 in undeposited cash on hand which is included in the fund balance, but is not included in deposits.

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2020 was \$1,194,542. This amount is not included in the "deposits" or "investments" reported below.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits

At June 30, 2020, the carrying amount of all District deposits was \$80,032. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, the District's bank balance of \$112,283 was completely covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District's financial institutions did not participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2020, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Negotiable CD's	\$ 15,615,771	\$ 747,010	\$ 4,918,222	\$ 4,503,566	\$ 2,925,713	\$ 2,521,260
FFCB	1,490,953	-	-	-	1,019,750	471,203
FNMA	154,110	-	-	-	154,110	-
FHLB	1,029,265	-	-	510,130	519,135	-
FHLMC	250,225	-	-	-	-	250,225
U.S. Treasury Note	3,074,209	-	-	-	1,051,681	2,022,528
U.S. Government money market	450,352	450,352	-	-	-	-
Commercial paper	3,848,548	3,848,548	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	2,672,985	2,672,985	-	-	-	-
Total	\$ 28,586,418	\$ 7,718,895	\$ 4,918,222	\$ 5,013,696	\$ 5,670,389	\$ 5,265,216

The weighted average maturity of the District's investments is 1.27 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in commercial paper, federal agency securities (FHLB, FHLMC, FNMA, FFCB), U.S. Treasury Notes, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Credit Risk: STAR Ohio carried a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code. The federal agency securities, the U.S. Government money market and the U.S. Treasury notes have been assigned a rating of AA+ by Standard & Poor's and a rating of Aaa by Moody's. The District's investments in commercial paper were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CDs are covered by FDIC.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CD's	\$ 15,615,771	54.62
FFCB	1,490,953	5.22
FNMA	154,110	0.54
FHLB	1,029,265	3.60
FHLMC	250,225	0.88
U.S. Treasury Note	3,074,209	10.75
U.S. Government money market	450,352	1.58
Commercial paper	3,848,548	13.46
<i>Amortized Cost:</i>		
STAR Ohio	<u>2,672,985</u>	<u>9.35</u>
Total	<u>\$ 28,586,418</u>	<u>100.00</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 80,032
Cash with fiscal agent	1,194,542
Investments	28,586,418
Cash on hand	<u>350</u>
Total	<u>\$ 29,861,342</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	<u>\$ 29,861,342</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following, as reported on the fund statements:

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>
Bond retirement fund	Nonmajor governmental funds	<u>\$ 409</u>

The purpose of the current year transfer between the bond retirement and permanent improvement fund (a nonmajor governmental fund) was to move residual monies related to a prior year bond issuance.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2020, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 5,326</u>

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - 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 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 property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Knox, Coshocton and Licking Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$1,575,186 in the general fund, \$417,110 in the bond retirement fund and \$155,153 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$1,360,763 in the general fund, \$143,916 in the bond retirement fund and \$133,018 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 282,965,358	96.77	\$ 289,654,528	96.41
Public utility personal	<u>9,433,140</u>	<u>3.23</u>	<u>10,778,950</u>	<u>3.59</u>
Total	<u>\$ 292,398,498</u>	<u>100.00</u>	<u>\$ 300,433,478</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$44.98		\$48.08	

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants. 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 receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 10,245,305
Accounts	5,088
Accrued interest	84,541
Intergovernmental	<u>85,439</u>
Total	<u>\$ 10,420,373</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 243,950	\$ -	\$ -	\$ 243,950
Construction in progress	<u>74,752</u>	<u>613,133</u>	<u>(176,520)</u>	<u>511,365</u>
Total capital assets, not being depreciated	<u>318,702</u>	<u>613,133</u>	<u>(176,520)</u>	<u>755,315</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,250,656	-	-	1,250,656
Buildings and improvements	14,354,230	208,442	-	14,562,672
Furniture and equipment	2,021,907	122,503	(5,476)	2,138,934
Vehicles	<u>1,229,052</u>	<u>88,304</u>	<u>(52,900)</u>	<u>1,264,456</u>
Total capital assets, being depreciated	<u>18,855,845</u>	<u>419,249</u>	<u>(58,376)</u>	<u>19,216,718</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(842,955)	(56,171)	-	(899,126)
Buildings and improvements	(6,044,241)	(349,694)	-	(6,393,935)
Furniture and equipment	(1,666,601)	(66,545)	4,335	(1,728,811)
Vehicles	<u>(641,346)</u>	<u>(98,277)</u>	<u>47,610</u>	<u>(692,013)</u>
Total accumulated depreciation	<u>(9,195,143)</u>	<u>(570,687)</u>	<u>51,945</u>	<u>(9,713,885)</u>
Governmental activities capital assets, net	<u>\$ 9,979,404</u>	<u>\$ 461,695</u>	<u>\$ (182,951)</u>	<u>\$ 10,258,148</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 283,810
Special	12,816
Vocational	2,339
<u>Support services:</u>	
Instructional staff	2,241
Administration	23,489
Fiscal	2,657
Operations and maintenance	43,957
Pupil transportation	112,788
Central	5,806
Extracurricular activities	20,186
<u>Operation of non-instructional services:</u>	
Food service operations	60,598
Total depreciation expense	<u>\$ 570,687</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2020, the following changes occurred in governmental activities' long-term obligations.

	Balance Outstanding June 30, 2019	Additions	Deductions	Balance Outstanding June 30, 2020	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Series 2016, Refunding					
Serial 3%-4% \$7,885,000	\$ 7,125,000	\$ -	\$ (395,000)	\$ 6,730,000	\$ 415,000
Term 3.25% \$1,000,000	1,000,000	-	-	1,000,000	-
School Facilities Construction and Improvement Bonds - Series 2014					
Term 3.25%-5.5% \$750,000	725,000	-	(60,000)	665,000	60,000
School Facilities Construction and Improvement Bonds - Series 2020A					
Serial 1.5%-4.0% \$4,275,000	-	4,275,000	-	4,275,000	75,000
Term 3.0% \$5,225,000	-	5,225,000	-	5,225,000	-
School Facilities Construction and Improvement Bonds - Series 2020B					
Serial 1.5%-4.0% \$4,355,000	-	4,355,000	-	4,355,000	295,000
Term 2.0%-3.0% \$4,720,000	-	4,720,000	-	4,720,000	-
<u>Other long-term obligations:</u>					
Compensated Absences	457,217	69,437	(105,291)	421,363	108,818
Bond Anticipation Notes - Series 2019	-	9,500,000	(9,500,000)	-	-
Lease Purchase Agreements -					
direct borrowings	187,083	-	(60,355)	126,728	62,339
Net Pension Liability	8,641,055	201,557	-	8,842,612	-
Net OPEB Liability	984,908	-	(99,026)	885,882	-
Total governmental activities	<u>\$ 19,120,263</u>	<u>\$ 28,345,994</u>	<u>\$ (10,219,672)</u>	<u>37,246,585</u>	<u>\$ 1,016,157</u>
Add: unamortized premium				1,692,176	
Total on statement of net position				<u>\$ 38,938,761</u>	

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset: The District's net OPEB liability/asset is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the general fund.

Lease Purchase Agreements: See Note 10 for detail on the District's lease purchase agreements.

Bond Anticipation Notes - Series 2019: On December 13, 2019, the District issued \$9,500,000 in bond anticipation notes to begin a school facilities construction and improvement project. The notes were deposited in the building fund. The notes matured on June 11, 2020 and bore an interest rate of 1.588%. The notes were retired from the bond retirement fund using the proceeds from the District's \$9,075,000 bond issuance dated March 19, 2020. In accordance with generally accepted accounting principles, the bond anticipation notes were classified as long-term obligations because they were replaced with long-term bonds.

School Facilities Construction and Improvement Bonds - Series 2014: The original issuance consisted of term bonds issued on January 22, 2014. The bonds mature at \$145,000, \$350,000 and \$255,000 on December 1, 2020, 2025 and 2028, respectively. The rates on these bonds range from 3.25% to 5.50%. The bonds will be retired through the bond retirement fund.

The bonds stated to mature on December 1, 2020 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount as follows:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
December 1, 2019	\$ 60,000

The balance of the principal of the Bonds maturing on December 1, 2020 (\$60,000) is payable at their stated maturity on December 1, 2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The Bonds stated to mature on December 1, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
December 1, 2021	\$ 65,000
December 1, 2022	65,000
December 1, 2023	70,000
December 1, 2024	75,000

The balance of the principal of the Bonds maturing on December 1, 2025 (\$75,000) is payable at their stated maturity on December 1, 2025.

The Bonds stated to mature on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest of the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
December 1, 2026	\$ 80,000
December 1, 2027	85,000

The balance of the principal of the Bonds maturing on December 1, 2028 (\$90,000) is payable at their stated maturity on December 1, 2028.

Series 2016 General Obligation Refunding Bonds: On September 8, 2016, the District issued General Obligation Refunding Bonds (Series 2016 refunding bonds). These bonds refunded the \$9,405,000 of a Series 2007 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

This issue is comprised of serial bonds, present value \$6,730,000 and term bonds present value \$1,000,000 at June 30, 2020. The interest rates on the bonds is 3.00% - 4.00%. Payments on the bonds are due June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2034.

The reacquisition price exceeded the net carrying amount of the old debt by \$82,214. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$1,186,580 and resulted in an economic gain of \$916,374.

Series 2020A General Obligation Refunding Bonds: On March 19, 2020, the District issued \$9,500,000 in general obligation bonds, for the purpose of improving school facilities. Interest and principal payments on the bonds are due on May 1 and November 1 of each year and are made from the bond retirement fund.

The original issue was comprised of both current interest serial bonds, par value \$4,275,000, and term bonds, par value \$5,225,000. The interest rates on the current interest bonds range from 1.5%-4.0% and the interest rate on the term bonds is 3%. Final maturity of the Series 2020A bonds is November 1, 2056.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Date	Principal Amount To Be Redeemed
November 1, 2043	\$ 305,000

The remaining principal amount of such Term Bonds (\$315,000) shall mature at stated maturity on November 1, 2044.

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

Date	Principal Amount To Be Redeemed
November 1, 2045	\$ 325,000

The remaining principal amount of such Term Bonds (\$335,000) shall mature at stated maturity on November 1, 2046.

The term bonds maturing on November 1, 2049 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
November 1, 2047	\$ 345,000
November 1, 2048	355,000

The remaining principal amount of such Term Bonds (\$365,000) shall mature at stated maturity on November 1, 2049.

The term bonds maturing on November 1, 2056 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
November 1, 2050	\$ 375,000
November 1, 2051	385,000
November 1, 2052	400,000
November 1, 2053	410,000
November 1, 2054	425,000
November 1, 2055	435,000

The remaining principal amount of such Term Bonds (\$450,000) shall mature at stated maturity on November 1, 2056.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Series 2020B General Obligation Refunding Bonds: On April 7, 2020, the District issued \$9,075,000 in general obligation serial bonds, for the purpose of improving school facilities. Interest and principal payments on the bonds are due on May 1 and November 1 of each year and are made from the bond retirement fund.

The original issue was comprised of both current interest serial bonds, par value \$4,355,000, and term bonds, par value \$4,720,000. The interest rates on the current interest bonds range from 1.5%-4.0% and the interest rate on the term bonds is 2%. Final maturity of the Series 2020B bonds is November 1, 2056.

At June 30, 2019, the District had \$18,441,908 in unspent bond proceeds related to the Series 2020A and 2020B general obligation bonds.

The term bonds maturing on November 1, 2033 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
November 1, 2032	\$ 215,000

The remaining principal amount of such Term Bonds (\$215,000) shall mature at stated maturity on November 1, 2033.

The term bonds maturing on November 1, 2035 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
November 1, 2034	\$ 225,000

The remaining principal amount of such Term Bonds (\$230,000) shall mature at stated maturity on November 1, 2035.

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

Date	Principal Amount To Be Redeemed
November 1, 2045	\$ 235,000

The remaining principal amount of such Term Bonds (\$240,000) shall mature at stated maturity on November 1, 2037.

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

Date	Principal Amount To Be Redeemed
November 1, 2038	\$ 240,000

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The remaining principal amount of such Term Bonds (\$245,000) shall mature at stated maturity on November 1, 2039.

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

Date	Principal Amount To Be Redeemed
November 1, 2040	\$ 250,000
November 1, 2041	260,000

The remaining principal amount of such Term Bonds (\$265,000) shall mature at stated maturity on November 1, 2042.

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

Date	Principal Amount To Be Redeemed
November 1, 2043	\$ 275,000

The remaining principal amount of such Term Bonds (\$285,000) shall mature at stated maturity on November 1, 2044.

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

Date	Principal Amount To Be Redeemed
November 1, 2045	\$ 290,000

The remaining principal amount of such Term Bonds (\$300,000) shall mature at stated maturity on November 1, 2046.

The term bonds maturing on November 1, 2049 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
November 1, 2047	\$ 310,000
November 1, 2048	315,000

The remaining principal amount of such Term Bonds (\$325,000) shall mature at stated maturity on November 1, 2049.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. The annual requirement to amortize all bonds outstanding as of June 30, 2020 is as follows:

Fiscal Year	Current Interest, Serial and Term Bonds		
	Principal	Interest	Total
2021	\$ 845,000	\$ 829,522	\$ 1,674,522
2022	1,040,000	780,959	1,820,959
2023	1,075,000	752,694	1,827,694
2024	1,100,000	729,474	1,829,474
2025	1,125,000	696,505	1,821,505
2026 - 2030	5,060,000	2,941,201	8,001,201
2031 - 2035	5,235,000	2,026,264	7,261,264
2036 - 2040	2,515,000	1,422,503	3,937,503
2041 - 2045	2,830,000	1,095,821	3,925,821
2046 - 2050	3,265,000	657,353	3,922,353
2051 - 2055	1,995,000	286,125	2,281,125
2056 - 2057	885,000	26,767	911,767
Total	<u>\$ 26,970,000</u>	<u>\$ 12,245,188</u>	<u>\$ 39,215,188</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$1,790,191 (including available funds of \$1,721,178) and an unvoted debt margin of \$300,433.

NOTE 10 - LEASE PURCHASE AGREEMENTS

- A.** During a prior fiscal year, the District entered into a lease-purchase agreement, in the amount of \$52,404, with Hewlett Packard Financial Services to finance multiple copiers and copier equipment. The annual payments are made from the permanent improvement fund (a nonmajor governmental fund). At June 30, 2020, the District had outstanding borrowings of \$26,107. Capital assets consisting of furniture and equipment has been recorded in the amount of \$21,801. A corresponding liability is recorded on the statement of net position. Accumulated depreciation as of June 30, 2020 was \$6,540, leaving a current book value of \$15,261. The remaining \$30,603 in proceeds related to items that were below the capitalization threshold and therefore were not capitalized. This is a direct borrowing collateralized by the copier equipment.
- B.** During a prior fiscal year, the District entered into a lease-purchase agreement, in the amount of \$200,137, with Hewlett Packard Financial Services to finance the cost of MacBooks, iPads, HP laptops, and other Apple and HP computer equipment. The annual payments are made from the permanent improvement fund (a nonmajor governmental fund). At June 30, 2020, the District had outstanding borrowings of \$100,551. The equipment was individually under the District's capitalization threshold. Therefore, no items were capitalized. This is a direct borrowing collateralized by the computer equipment.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LEASE PURCHASE AGREEMENTS - (Continued)

C. The following is a summary of the future debt service requirements to maturity for the lease purchase agreements:

Fiscal Year Ended	Principal	Interest	Total
2021	\$ 62,339	\$ 4,173	\$ 66,512
2022	<u>64,389</u>	<u>2,121</u>	<u>66,510</u>
Total	<u>\$ 126,728</u>	<u>\$ 6,294</u>	<u>\$ 133,022</u>

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For July 1, 2019 through June 30, 2020, the District contracted with Ohio School Plan and Hylant Administrative Services for property and general liability coverage. There was a \$1,000 deductible and \$39,252,787 limit.

The District has professional liability insurance with Ohio School Plan. Professional liability protection was set at \$4,000,000 per single occurrence limit and \$6,000,000 aggregate with no deductible.

Vehicles are covered by the Ohio School Plan with a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$4,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the Sheakly Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

C. Employee Group Medical/Surgical and Prescription Insurance

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 50 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$119,066 reported in the internal service fund at June 30, 2020 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - RISK MANAGEMENT - (Continued)

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2020	\$ 182,040	\$ 1,351,349	\$ (1,414,323)	\$ 119,066
2019	145,879	1,919,647	(1,883,486)	182,040

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description - District Employees Retirement System (SERS)

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

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$166,188 for fiscal year 2020. Of this amount, \$19,127 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**EAST KNOX LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$524,104 for fiscal year 2020. Of this amount, \$89,880 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03496150%	0.03019292%	
Proportion of the net pension liability current measurement date	<u>0.03427900%</u>	<u>0.03071139%</u>	
Change in proportionate share	<u>-0.00068250%</u>	<u>0.00051847%</u>	
Proportionate share of the net pension liability	\$ 2,050,973	\$ 6,791,639	\$ 8,842,612
Pension expense	\$ 224,969	\$ 753,636	\$ 978,605

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 52,007	\$ 55,298	\$ 107,305
Changes of assumptions	-	797,808	797,808
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	3,766	236,771	240,537
Contributions subsequent to the measurement date	<u>166,188</u>	<u>524,104</u>	<u>690,292</u>
Total deferred outflows of resources	<u>\$ 221,961</u>	<u>\$ 1,613,981</u>	<u>\$ 1,835,942</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 29,399	\$ 29,399
Net difference between projected and actual earnings on pension plan investments	26,327	331,937	358,264
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>52,447</u>	<u>208,600</u>	<u>261,047</u>
Total deferred inflows of resources	<u>\$ 78,774</u>	<u>\$ 569,936</u>	<u>\$ 648,710</u>

\$690,292 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 15,691	\$ 317,637	\$ 333,328
2022	(51,868)	119,151	67,283
2023	(1,754)	25,912	24,158
2024	14,930	57,241	72,171
Total	<u>\$ (23,001)</u>	<u>\$ 519,941</u>	<u>\$ 496,940</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 2,874,146	\$ 2,050,973	\$ 1,360,639

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 9,925,224	\$ 6,791,639	\$ 4,138,899

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description - District Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$23,736

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$23,736 for fiscal year 2020. Of this amount, \$23,736 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03550150%	0.03019292%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03522690%</u>	<u>0.03071139%</u>	
Change in proportionate share	<u>-0.00027460%</u>	<u>0.00051847%</u>	
Proportionate share of the net OPEB liability	\$ 885,882	\$ -	\$ 885,882
Proportionate share of the net OPEB asset	\$ -	\$ (508,654)	\$ (508,654)
OPEB expense	\$ 7,050	\$ (151,748)	\$ (144,698)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,004	\$ 46,114	\$ 59,118
Net difference between projected and actual earnings on OPEB plan investments	2,125	-	2,125
Changes of assumptions	64,704	10,692	75,396
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	46,409	46,409
Contributions subsequent to the measurement date	23,736	-	23,736
Total deferred outflows of resources	\$ 103,569	\$ 103,215	\$ 206,784
	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 194,622	\$ 25,878	\$ 220,500
Net difference between projected and actual earnings on OPEB plan investments	-	31,946	31,946
Changes of assumptions	49,642	557,682	607,324
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	25,898	18,219	44,117
Total deferred inflows of resources	\$ 270,162	\$ 633,725	\$ 903,887

\$23,736 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (67,761)	\$ (117,439)	\$ (185,200)
2022	(28,373)	(117,439)	(145,812)
2023	(27,752)	(104,633)	(132,385)
2024	(27,853)	(100,143)	(127,996)
2025	(26,545)	(92,813)	(119,358)
Thereafter	(12,045)	1,957	(10,088)
Total	\$ (190,329)	\$ (530,510)	\$ (720,839)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

The most recent experience study was completed for the five year period ended June 30, 2015.

**EAST KNOX LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,075,293	\$ 885,882	\$ 735,279

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 709,771	\$ 885,882	\$ 1,119,539

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019	July 1, 2018	
Inflation	2.50%	2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%	3.00%	
Cost-of-living adjustments (COLA)	0.00%	0.00%	
Discounted rate of return	7.45%	7.45%	
Blended discount rate of return	N/A	N/A	
Health care cost trends			
	Initial	Ultimate	Initial Ultimate
Medical			
Pre-Medicare	5.87%	4.00%	6.00% 4.00%
Medicare	4.93%	4.00%	5.00% 4.00%
Prescription Drug			
Pre-Medicare	7.73%	4.00%	8.00% 4.00%
Medicare	9.62%	4.00%	-5.23% 4.00%

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 434,035	\$ 508,654	\$ 571,392

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 576,791	\$ 508,654	\$ 425,204

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (c) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	General fund
Budget basis	\$ 931,798
Net adjustment for revenue accruals	366,898
Net adjustment for expenditure accruals	(6,499)
Net adjustment for other sources/uses	(59,857)
Funds budgeted elsewhere	12,648
Adjustment for encumbrances	114,188
GAAP basis	\$ 1,359,176

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2019-2020 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	172,273
Current year offsets	(734,355)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (562,082)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u><u>\$ -</u></u>

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - SET-ASIDES - (Continued)

During a prior fiscal year, the District issued \$8,909,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$7,722,204 at June 30, 2020.

NOTE 17 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 100,772
Building fund	2,046,415
Other governmental	<u>66,886</u>
 Total	 <u>\$ 2,214,073</u>

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2020, the District had the following contractual commitments outstanding related to school improvement projects. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2020</u>	<u>Remaining Contract Amount</u>
Master Renovations	\$ 85,000	\$ 44,700	\$ 40,300
Elford	55,450	-	55,450
Fanning/Howey	1,097,531	356,698	740,833
Aries	963,259		963,259
NWOCA	8,801		8,801
Resource International	105,176	41,753	63,423
The Brewer Garret Co	122,080	4,018	118,062
Xtek Partners	44,879	-	44,879
Beyond Consulting	60,000	-	60,000
Settle-Muter	20,782	-	20,782
Mickley Plumbing	16,900	-	16,900
Danville Excavating	8,800	-	8,800
EW Masonry	<u>6,852</u>	<u>-</u>	<u>6,852</u>
Total	<u>\$ 2,595,510</u>	<u>\$ 447,169</u>	<u>\$ 2,148,341</u>

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03427900%	0.03496150%	0.03464790%	0.03732190%
District's proportionate share of the net pension liability	\$ 2,050,973	\$ 2,002,310	\$ 2,070,135	\$ 2,731,619
District's covered payroll	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543	\$ 1,142,721
District's proportionate share of the net pension liability as a percentage of its covered payroll	169.17%	176.63%	177.31%	239.05%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04315740%	0.04755800%	0.04755800%
\$ 2,462,603	\$ 2,406,883	\$ 2,828,122
\$ 1,299,241	\$ 1,381,941	\$ 1,406,712
189.54%	174.17%	201.04%
69.16%	71.70%	65.52%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03071139%	0.03019292%	0.02873066%	0.02932684%
District's proportionate share of the net pension liability	\$ 6,791,639	\$ 6,638,745	\$ 6,825,030	\$ 9,816,577
District's covered payroll	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950	\$ 3,156,643
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.86%	184.95%	212.55%	310.98%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03183266%	0.03391000%	0.03391000%
\$ 8,797,616	\$ 8,248,154	\$ 9,825,147
\$ 3,487,729	\$ 3,464,692	\$ 3,994,431
252.24%	238.06%	245.97%
72.10%	74.70%	69.30%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 166,188	\$ 163,674	\$ 153,042	\$ 163,456
Contributions in relation to the contractually required contribution	<u>(166,188)</u>	<u>(163,674)</u>	<u>(153,042)</u>	<u>(163,456)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 159,981	\$ 171,240	\$ 191,537	\$ 194,689	\$ 185,996	\$ 192,004
<u>(159,981)</u>	<u>(171,240)</u>	<u>(191,537)</u>	<u>(194,689)</u>	<u>(185,996)</u>	<u>(192,004)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,142,721	\$ 1,299,241	\$ 1,381,941	\$ 1,406,712	\$ 1,382,870	\$ 1,527,478
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 524,104	\$ 508,843	\$ 502,523	\$ 449,533
Contributions in relation to the contractually required contribution	<u>(524,104)</u>	<u>(508,843)</u>	<u>(502,523)</u>	<u>(449,533)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
\$ 441,930	\$ 488,282	\$ 450,410	\$ 519,276	\$ 531,956	\$ 553,540
<u>(441,930)</u>	<u>(488,282)</u>	<u>(450,410)</u>	<u>(519,276)</u>	<u>(531,956)</u>	<u>(553,540)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,156,643	\$ 3,487,729	\$ 3,464,692	\$ 3,994,431	\$ 4,091,969	\$ 4,258,000
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03522690%	0.03550150%	0.03532030%	0.03776495%
District's proportionate share of the net OPEB liability	\$ 885,882	\$ 984,908	\$ 947,904	\$ 1,076,441
District's covered payroll	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543	\$ 1,142,721
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.07%	86.88%	81.19%	94.20%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03071139%	0.03019292%	0.02873066%	0.02932684%
District's proportionate share of the net OPEB liability/(asset)	\$ (508,654)	\$ (485,169)	\$ 1,120,964	\$ 1,568,407
District's covered payroll	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950	\$ 3,156,643
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.99%	13.52%	34.91%	49.69%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 23,736	\$ 28,021	\$ 24,994	\$ 19,994
Contributions in relation to the contractually required contribution	<u>(23,736)</u>	<u>(28,021)</u>	<u>(24,994)</u>	<u>(19,994)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543
Contributions as a percentage of covered payroll	2.00%	2.31%	2.20%	1.71%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 18,866	\$ 34,578	\$ 27,005	\$ 18,953	\$ 30,967	\$ 46,161
<u>(18,866)</u>	<u>(34,578)</u>	<u>(27,005)</u>	<u>(18,953)</u>	<u>(30,967)</u>	<u>(46,161)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,142,721	\$ 1,299,241	\$ 1,381,941	\$ 1,406,712	\$ 1,382,870	\$ 1,527,478
1.65%	2.66%	1.95%	1.35%	2.24%	3.02%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 34,647	\$ 39,944	\$ 40,920	\$ 42,580
-	-	(34,647)	(39,944)	(40,920)	(42,580)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,156,643	\$ 3,487,729	\$ 3,464,692	\$ 3,994,431	\$ 4,091,969	\$ 4,258,000
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2020.

(Continued)

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

(Continued)

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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SUPPLEMENTARY INFORMATION

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**EAST KNOX LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(C) GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(D) School Breakfast Program	10.553	2020	\$ 67,827
(D) School Breakfast Program - COVID-19	10.553	2020	27,337
Total National School Breakfast Program			<u>95,164</u>
(D) National School Lunch Program	10.555	2020	122,714
(D) National School Lunch Program - COVID-19	10.555	2020	50,849
(E) National School Lunch Program - Food Donation	10.555	2020	33,259
Total National School Lunch Program			<u>206,822</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>301,986</u>
U.S. DEPARTMENT OF TREASURY PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Coronavirus Relief Fund	21.019	2020	2,326
Total U.S. Department of Treasury			<u>2,326</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2019	48,609
Title I Grants to Local Educational Agencies	84.010	2020	255,191
Total Title I Grants to Local Educational Agencies			<u>303,800</u>
Special Education Cluster (IDEA):			
Special Education_Grants to States	84.027	2019	13,457
Special Education_Grants to States	84.027	2020	231,639
Total Special Education_Grants to States and Special Education Cluster (IDEA)			<u>245,096</u>
Student Support and Academic Enrichment Program	84.424	2020	23,483
Supporting Effective Instruction State Grants	84.367	2020	47,837
Total U.S. Department of Education			<u>620,216</u>
Total Federal Financial Assistance			<u>\$ 924,528</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule includes the federal award activity of the East Knox Local School District under programs of the federal government for the fiscal year ended June 30, 2020 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the East Knox Local School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the East Knox Local School District.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (C) OAKS did not assign pass-through numbers for fiscal year 2020.
- (D) Commingled with state and local revenue from sales of breakfasts and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.

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**Independent Auditor's 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***

East Knox Local School District
Knox County
23201 Coshocton Road
Howard, Ohio 43028

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Knox Local School District, Knox County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the East Knox Local School District's basic financial statements, and have issued our report thereon dated November 13, 2020, wherein we noted as described in Note 3 to the financial statements, the East Knox Local School District adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the East Knox Local School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Knox Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 East Knox Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Knox Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
November 13, 2020

**Independent Auditor's Report on Compliance for the Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

East Knox Local School District
Knox County
23201 Coshocton Road
Howard, Ohio 43028

To the Members of the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the East Knox Local School District's compliance with the with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the East Knox Local School District's major federal program for the fiscal year ended June 30, 2020. The East Knox Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the East Knox Local School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 East Knox Local 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 the major federal program. However, our audit does not provide a legal determination of the East Knox Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the East Knox Local 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 its major federal program for the fiscal year ended June 30, 2020.

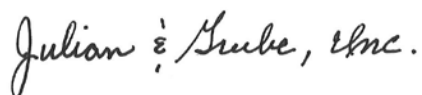
Report on Internal Control Over Compliance

Management of the East Knox Local School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Knox Local School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Knox Local 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 13, 2020

**EAST KNOX LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster (IDEA)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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OHIO AUDITOR OF STATE KEITH FABER



EAST KNOX LOCAL SCHOOL DISTRICT

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/16/2021

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

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