



**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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MARION COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To 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 Elgin Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 School District, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2021

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Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

Highlights

Highlights for fiscal year 2020 are as follows:

In total, net position increased \$2,823,597, or 9 percent.

General revenues accounted for 77 percent of total revenues for fiscal year 2020 demonstrating the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Elgin Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 School District's most significant funds with all other nonmajor funds presented in total in a single column. For Elgin Local School District, the General Fund and the Bond Retirement Fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2020. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In the statement of net position and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds which focus on how monies flow into and out of these funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2020 and fiscal year 2019:

Table 1 Net Position		Governmental Activities	
	2020	2019	Change
<u>Assets</u>			
Current and Other Assets	\$31,002,540	\$28,143,982	\$2,858,558
Net OPEB Asset	740,153	736,202	3,951
Capital Assets, Net	34,337,678	34,648,044	(310,366)
Total Assets	66,080,371	63,528,228	2,552,143

(continued)

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2020	2019	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$2,506,039	\$3,483,268	(\$977,229)
OPEB	298,849	224,252	74,597
Total Deferred Outflows of Resources	<u>2,804,888</u>	<u>3,707,520</u>	<u>(902,632)</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,540,918	1,728,970	188,052
Long-Term Liabilities			
Pension	12,768,076	12,837,499	69,423
OPEB	1,219,624	1,329,882	110,258
Other Amounts	14,720,048	14,860,974	140,926
Total Liabilities	<u>30,248,666</u>	<u>30,757,325</u>	<u>508,659</u>
<u>Deferred Inflows of Resources</u>			
Pension	941,479	1,109,762	168,283
OPEB	1,287,895	1,332,748	44,853
Other Amounts	3,491,935	3,944,226	452,291
Total Deferred Inflows of Resources	<u>5,721,309</u>	<u>6,386,736</u>	<u>665,427</u>
<u>Net Position</u>			
Net Investment in Capital Assets	20,217,669	20,321,020	(103,351)
Restricted	9,262,055	7,508,301	1,753,754
Unrestricted	3,435,560	2,262,366	1,173,194
Total Net Position	<u>\$32,915,284</u>	<u>\$30,091,687</u>	<u>\$2,823,597</u>

The net pension/OPEB liability (asset) reported by the School District at June 30, 2020, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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 School 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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. vacation and sick 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 pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the School 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 the net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Elgin Local School District
Management's Discussion and Analysis
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Unaudited

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and deferred inflows. The decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension liability.

The most significant change noted in the above table is the increase in current and other assets. This increase is primarily an increase in cash and cash equivalents (\$2.85 million increase) and the result of the School District's continued effort to maintain operating expenses well within current revenues as reflected in the \$2.8 million increase in net position. This increase is also reflected in the increase in both restricted and unrestricted net position with the restricted portion related to an increase in the School District's investments restricted for debt retirement. The decrease in current and other liabilities is the result of projects the School District still had outstanding at the end of the prior fiscal year (pavement restoration, asphalt repairs, etc.).

Table 2 reflects the change in net position for fiscal year 2020 and fiscal year 2019.

Table 2
Change in Net Position

	Governmental Activities		
	2020	2019	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$2,328,576	\$2,120,755	\$207,821
Operating Grants, Contributions, and Interest	2,009,439	1,666,367	343,072
Capital Grants and Contributions	5,400	41,280	(35,880)
Total Program Revenues	<u>4,343,415</u>	<u>3,828,402</u>	<u>515,013</u>
General Revenues			
Property Taxes Levied for General Purposes	4,396,344	4,282,132	114,212
Property Taxes Levied for Classroom Facilities	55,994	65,638	(9,644)
Property Taxes Levied for Debt Service	1,302,731	976,717	326,014
Property Taxes Levied for Permanent Improvements	147,383	56,381	91,002
Income Taxes Levied for General Purposes	1,102,585	1,114,836	(12,251)
Grants and Entitlements	6,508,151	7,063,284	(555,133)
Interest	858,492	532,248	326,244
Gifts and Donations	6,149	30,408	(24,259)
Miscellaneous	68,337	92,520	(24,183)
Total General Revenues	<u>14,446,166</u>	<u>14,214,164</u>	<u>232,002</u>
Total Revenues	<u>18,789,581</u>	<u>18,042,566</u>	<u>747,015</u>

(continued)

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2020	2019	Change
<u>Expenses</u>			
Instruction:			
Regular	\$7,246,480	\$6,263,822	(\$982,658)
Special	1,710,520	1,486,224	(224,296)
Vocational	172,990	216,674	43,684
Support Services:			
Pupils	728,081	635,382	(92,699)
Instructional Staff	331,811	232,866	(98,945)
Board of Education	32,144	27,968	(4,176)
Administration	1,147,451	880,582	(266,869)
Fiscal	560,359	528,004	(32,355)
Business	6,011	6,858	847
Operation of Maintenance of Plant	943,462	878,207	(65,255)
Pupil Transportation	945,432	894,607	(50,825)
Central	248,203	400,012	151,809
Non-Instructional Services	601,377	628,803	27,426
Extracurricular Activities	514,784	478,544	(36,240)
Interest and Fiscal Charges	776,879	781,917	5,038
Total Expenses	<u>15,965,984</u>	<u>14,340,470</u>	<u>(1,625,514)</u>
Increase in Net Position	2,823,597	3,702,096	(878,499)
Net Position at Beginning of Year	30,091,687	26,389,591	3,702,096
Net Position at End of Year	<u>\$32,915,284</u>	<u>\$30,091,687</u>	<u>\$2,823,597</u>

Overall, revenues increased approximately 4 percent from the prior fiscal year. The increase in program revenues is largely due to tuition and fees from an increase in open enrollment and from additional restricted grant resources (Student Wellness and Success grant and Safety grant). For general revenues, the decrease in State entitlement funding was partially offset by a modest increase in property tax revenue.

The increase in expenses can be attributed to the increase in pension/OPEB expense from fiscal year 2019.

Elgin Local School District
Management's Discussion and Analysis
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Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction:				
Regular	\$7,246,480	\$6,263,822	\$5,235,574	\$4,441,385
Special	1,710,520	1,486,224	401,507	267,804
Vocational	172,990	216,674	119,877	164,437
Support Services:				
Pupils	728,081	635,382	517,419	635,382
Instructional Staff	331,811	232,866	331,811	232,866
Board of Education	32,144	27,968	32,144	27,968
Administration	1,147,451	880,582	1,147,451	880,582
Fiscal	560,359	528,004	560,359	528,004
Business	6,011	6,858	6,011	6,858
Operation and Maintenance of Plant	943,462	878,207	938,062	872,807
Pupil Transportation	945,432	894,607	945,432	894,607
Central	248,203	400,012	248,203	364,132
Non-Instructional Services	601,377	628,803	(42,375)	78,511
Extracurricular Activities	514,784	478,544	404,215	334,808
Interest and Fiscal Charges	776,879	781,917	776,879	781,917
Total Expenses	<u>\$15,965,984</u>	<u>\$14,340,470</u>	<u>\$11,622,569</u>	<u>\$10,512,068</u>

The above table demonstrates that very few of the School District's programs are substantially provided for through program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations and extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased 11 percent in the General Fund. Revenues increased approximately 1 percent and expenditures decreased approximately 1 percent, both modest changes; however, revenues continue to substantially outpace expenditures.

There was an increase in fund balance in the Bond Retirement Fund as property tax collections exceeded amounts needed for debt service requirements for the current fiscal year.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

General Fund Budgeting Highlights

The School 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 fiscal year 2020, the School District amended its General Fund budget as needed.

For revenues, there was very little change from the original budget to the final budget and changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant. The changes from the final budget to actual expenditures were the result of budgeting conservatively.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the School District had \$34,337,678 invested in capital assets (net of accumulated depreciation). Additions included a digital bus communications system, a first responder radio system, and a bus. Two buses were disposed. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$14,015,000, for school construction. During fiscal year 2020, the School District issued \$2,040,000 in general obligation bonds to currently refund bonds previously issued in fiscal year 2011 (2010A) for constructing, renovating, and equipping school facilities. The School District's long-term obligations also include the net pension liability, the net OPEB liability, capital leases, and compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 18 and 19 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community. The School District's leading employer, Whirlpool Corporation, has continued to have a strong labor force.

The School District is continuing to address the needs of the exceptional students in the School District (special and gifted education). While the School District has been very efficient in sharing programs with other school districts, the costs of this sharing has made it necessary to evaluate those programs and look for alternatives to keep these students in our School District and to use funds more efficiently.

The continuous .75 percent permanent earned income tax provides for the operational needs of the School District. An emergency levy was renewed in 2016 at 4.01 mills (collections beginning 2018) for five years. The millage has been reduced to 3.96 mills.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In 2009, the voters of the School District also approved a 7.49 mill bond levy to build a K-12 building. The Build America Bonds portion of the bond issue was refinanced in fiscal year 2020. The voters also approved a 1 mill permanent improvement levy of which .5 mills is being used for maintenance of the new building and the other .5 mills is used for various permanent improvements in the School District.

The School District continues to make improvements to the grounds and areas surrounding the school. The parking lot was resurfaced and painted in fiscal year 2020 and the asphalt project at the Administration office was completed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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 Kimberly Reynolds, Treasurer, Elgin Local School District, 1239 Keener Road South, Marion, Ohio 43302.

Elgin Local School District
Statement of Net Position
June 30, 2020

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$19,237,956
Cash and Cash Equivalents with Fiscal Agent	5,246,480
Accounts Receivable	32,127
Accrued Interest Receivable	44,322
Intergovernmental Receivable	193,253
Income Taxes Receivable	327,877
Prepaid Items	16,690
Inventory Held for Resale	12,188
Materials and Supplies Inventory	41,433
Property Taxes Receivable	5,850,214
Net OPEB Asset	740,153
Nondepreciable Capital Assets	222,679
Depreciable Capital Assets, Net	34,114,999
Total Assets	66,080,371
<u>Deferred Outflows of Resources:</u>	
Pension	2,506,039
OPEB	298,849
Total Deferred Outflows of Resources	2,804,888
<u>Liabilities:</u>	
Accounts Payable	131,974
Accrued Wages and Benefits Payable	1,059,731
Matured Compensated Absences Payable	62,969
Intergovernmental Payable	228,104
Accrued Interest Payable	58,140
Long-Term Liabilities	
Due Within One Year	105,364
Due in More Than One Year	
Net Pension Liability	12,768,076
Net OPEB Liability	1,219,624
Other Amounts	14,614,684
Total Liabilities	30,248,666
<u>Deferred Inflows of Resources:</u>	
Property Taxes	3,491,935
Pension	941,479
OPEB	1,287,895
Total Deferred Inflows of Resources	5,721,309
<u>Net Position:</u>	
Net Investment in Capital Assets	20,217,669
Restricted For	
Capital Projects	352,425
Debt Service	7,501,555
Food Service	294,185
Classroom Facilities Maintenance	729,486
Student Wellness and Success	209,987
Other Purposes	174,417
Unrestricted	3,435,560
Total Net Position	\$32,915,284

See Accompanying Notes to Basic Financial Statements

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Elgin Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$7,246,480	\$1,791,124	\$219,782	\$0
Special	1,710,520	314,369	994,644	0
Vocational	172,990	0	53,113	0
Support Services:				
Pupils	728,081	0	210,662	0
Instructional Staff	331,811	0	0	0
Board of Education	32,144	0	0	0
Administration	1,147,451	0	0	0
Fiscal	560,359	0	0	0
Business	6,011	0	0	0
Operation and Maintenance of Plant	943,462	0	0	5,400
Pupil Transportation	945,432	0	0	0
Central	248,203	0	0	0
Non-Instructional Services	601,377	115,054	528,698	0
Extracurricular Activities	514,784	108,029	2,540	0
Interest and Fiscal Charges	776,879	0	0	0
Total Governmental Activities	<u>\$15,965,984</u>	<u>\$2,328,576</u>	<u>\$2,009,439</u>	<u>\$5,400</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities
Property Taxes Levied for Debt Service
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year - Restated (Note 3)
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$5,235,574)
(401,507)
(119,877)

(517,419)
(331,811)
(32,144)
(1,147,451)
(560,359)
(6,011)
(938,062)
(945,432)
(248,203)
42,375
(404,215)
(776,879)

(11,622,569)

4,396,344
55,994
1,302,731
147,383
1,102,585
6,508,151
858,492
6,149
68,337

14,446,166

2,823,597

30,091,687

\$32,915,284

Elgin Local School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$15,753,379	\$1,894,375	\$1,590,202	\$19,237,956
Accounts Receivable	24,798	0	7,329	32,127
Accrued Interest Receivable	21,399	22,923	0	44,322
Intergovernmental Receivable	7,777	0	185,476	193,253
Income Taxes Receivable	327,877	0	0	327,877
Interfund Receivable	31,763	0	0	31,763
Prepaid Items	16,280	0	410	16,690
Inventory Held for Resale	0	0	12,188	12,188
Materials and Supplies Inventory	34,830	0	6,603	41,433
<u>Restricted Assets:</u>				
Cash and Cash Equivalents with Fiscal Agent	0	5,246,480	0	5,246,480
Property Taxes Receivable	4,673,351	997,291	179,572	5,850,214
Total Assets	<u>\$20,891,454</u>	<u>\$8,161,069</u>	<u>\$1,981,780</u>	<u>\$31,034,303</u>
<u>Liabilities:</u>				
Accounts Payable	\$121,405	\$0	\$10,569	\$131,974
Accrued Wages and Benefits Payable	1,002,759	0	56,972	1,059,731
Matured Compensated Absences Payable	62,969	0	0	62,969
Intergovernmental Payable	215,874	0	12,230	228,104
Interfund Payable	0	0	31,763	31,763
Total Liabilities	<u>1,403,007</u>	<u>0</u>	<u>111,534</u>	<u>1,514,541</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	2,793,851	601,374	96,710	3,491,935
Unavailable Revenue	493,530	85,888	137,191	716,609
Total Deferred Inflows of Resources	<u>3,287,381</u>	<u>687,262</u>	<u>233,901</u>	<u>4,208,544</u>
<u>Fund Balances:</u>				
Nonspendable	51,110	0	7,013	58,123
Restricted	0	7,473,807	1,634,413	9,108,220
Assigned	229,487	0	0	229,487
Unassigned (Deficit)	15,920,469	0	(5,081)	15,915,388
Total Fund Balances	<u>16,201,066</u>	<u>7,473,807</u>	<u>1,636,345</u>	<u>25,311,218</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$20,891,454</u>	<u>\$8,161,069</u>	<u>\$1,981,780</u>	<u>\$31,034,303</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balances \$25,311,218

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 34,337,678

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	24,285	
Accrued Interest Receivable	15,830	
Intergovernmental Receivable	100,965	
Income Taxes Receivable	79,315	
Delinquent Property Taxes Receivable	496,214	
		716,609

Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due. (58,140)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General Obligation Bonds Payable	(14,015,000)	
Capital Leases Payable	(20,100)	
Compensated Absences Payable	(684,948)	
		(14,720,048)

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

Net OPEB Asset	740,153	
Deferred Outflows - Pension	2,506,039	
Deferred Inflows - Pension	(941,479)	
Net Pension Liability	(12,768,076)	
Deferred Outflows - OPEB	298,849	
Deferred Inflows - OPEB	(1,287,895)	
Net OPEB Liability	(1,219,624)	
		(12,672,033)

Net Position of Governmental Activities \$32,915,284

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,370,323	\$1,221,617	\$162,951	\$5,754,891
Income Taxes	1,102,365	0	0	1,102,365
Intergovernmental	6,640,711	420,810	1,450,674	8,512,195
Interest	416,009	465,161	3,478	884,648
Tuition and Fees	2,095,062	0	0	2,095,062
Extracurricular Activities	13,510	0	93,045	106,555
Charges for Services	11,735	0	114,194	125,929
Gifts and Donations	6,149	0	7,040	13,189
Miscellaneous	92,206	0	8,931	101,137
Total Revenues	<u>14,748,070</u>	<u>2,107,588</u>	<u>1,840,313</u>	<u>18,695,971</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,570,185	0	345,822	6,916,007
Special	1,579,819	0	98,355	1,678,174
Vocational	151,081	0	585	151,666
Support Services:				
Pupils	570,801	0	121,918	692,719
Instructional Staff	250,882	0	64,561	315,443
Board of Education	31,381	0	0	31,381
Administration	1,095,780	0	40,136	1,135,916
Fiscal	496,919	22,310	2,898	522,127
Business	6,002	0	0	6,002
Operation and Maintenance of Plant	857,180	0	50,127	907,307
Pupil Transportation	909,160	0	3,795	912,955
Central	285,420	0	0	285,420
Non-Instructional Services	0	0	530,200	530,200
Extracurricular Activities	315,670	0	104,669	420,339
Debt Service:				
Principal Retirement	11,348	44,050	0	55,398
Interest and Fiscal Charges	1,200	780,867	0	782,067
Total Expenditures	<u>13,132,828</u>	<u>847,227</u>	<u>1,363,066</u>	<u>15,343,121</u>
Excess of Revenues Over Expenditures	<u>1,615,242</u>	<u>1,260,361</u>	<u>477,247</u>	<u>3,352,850</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	3,300	0	0	3,300
General Obligation Bonds Issued	0	2,040,000	0	2,040,000
Payment to Refunded Bond Escrow Agent	0	(1,997,640)	0	(1,997,640)
Total Other Financing Sources (Uses)	<u>3,300</u>	<u>42,360</u>	<u>0</u>	<u>45,660</u>
Changes in Fund Balances	1,618,542	1,302,721	477,247	3,398,510
Fund Balances at Beginning of Year - Restated (Note 3)	14,582,524	6,171,086	1,159,098	21,912,708
Fund Balances at End of Year	<u>\$16,201,066</u>	<u>\$7,473,807</u>	<u>\$1,636,345</u>	<u>\$25,311,218</u>

See Accompanying Notes to the Basic Financial Statements

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Elgin Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Changes in Fund Balances - Total Governmental Funds \$3,398,510

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

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

Capital Outlay - Depreciable Capital Assets	269,821	
Depreciation	<u>(570,617)</u>	(300,796)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(3,300)	
Gain on Disposal of Capital Assets	97	
Loss on Disposal of Capital Assets	<u>(6,367)</u>	(9,570)

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

Delinquent Property Taxes	147,561	
Income Taxes	220	
Intergovernmental	277	
Interest	(22,678)	
Tuition and Fees	(1,304)	
Extracurricular Activities	1,474	
Miscellaneous	<u>(32,037)</u>	93,513

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

General Obligation Bonds	44,050	
Capital Leases	11,348	
Payment to Refunded Bond Escrow Agent	<u>1,997,640</u>	2,053,038

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position. (2,040,000)

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

Accrued Interest Payable	6,878	
Cost of Refunding Expense	<u>(1,690)</u>	5,188

Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. 129,578

(continued)

Elgin Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2020
 (continued)

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

Pension	(\$1,740,111)	
OPEB	<u>207,055</u>	
		(1,533,056)

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

Pension	1,000,588	
OPEB	<u>26,604</u>	
		<u>1,027,192</u>

Change in Net Position of Governmental Activities		<u><u>\$2,823,597</u></u>
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See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$4,317,500	\$4,300,000	\$4,320,210	\$20,210
Income Taxes	1,125,000	1,075,621	1,147,545	71,924
Intergovernmental	6,870,000	6,567,265	6,640,711	73,446
Interest	350,000	327,720	355,449	27,729
Tuition and Fees	1,619,300	1,967,179	2,094,023	126,844
Extracurricular Activities	16,000	15,288	13,510	(1,778)
Charges for Services	20,000	19,245	12,039	(7,206)
Gifts and Donations	28,800	27,875	5,582	(22,293)
Miscellaneous	31,625	31,677	12,490	(19,187)
Total Revenues	<u>14,378,225</u>	<u>14,331,870</u>	<u>14,601,559</u>	<u>269,689</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,780,920	6,749,774	6,583,653	166,121
Special	1,579,435	1,635,788	1,570,502	65,286
Vocational	238,145	169,115	166,707	2,408
Support Services:				
Pupils	554,489	574,853	557,725	17,128
Instructional Staff	267,149	277,705	248,610	29,095
Board of Education	30,425	33,925	31,643	2,282
Administration	1,182,139	1,167,576	1,100,660	66,916
Fiscal	506,322	557,118	500,747	56,371
Business	8,623	9,313	8,335	978
Operation and Maintenance of Plant	1,000,677	992,862	977,429	15,433
Pupil Transportation	1,031,281	1,025,783	968,017	57,766
Central	421,434	336,406	303,739	32,667
Extracurricular Activities	249,606	329,101	314,342	14,759
Capital Outlay	76,925	76,925	76,925	0
Total Expenditures	<u>13,927,570</u>	<u>13,936,244</u>	<u>13,409,034</u>	<u>527,210</u>
Excess of Revenues Over Expenditures	<u>450,655</u>	<u>395,626</u>	<u>1,192,525</u>	<u>796,899</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	5,000	5,000	3,300	(1,700)
Refund of Prior Year Expenditures	45,000	90,605	90,590	(15)
Advances In	0	750	750	0
Total Other Financing Sources	<u>50,000</u>	<u>96,355</u>	<u>94,640</u>	<u>(1,715)</u>
Changes in Fund Balance	500,655	491,981	1,287,165	795,184
Fund Balance at Beginning of Year	13,832,033	13,832,033	13,832,033	0
Prior Year Encumbrances Appropriated	324,570	324,570	324,570	0
Fund Balance at End of Year	<u>\$14,657,258</u>	<u>\$14,648,584</u>	<u>\$15,443,768</u>	<u>\$795,184</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2020

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$85,803</u></u>
 <u>Net Position:</u>	
Held in Trust for Scholarships	75,803
Endowment	<u>10,000</u>
Total Net Position	<u><u>\$85,803</u></u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

<u>Additions:</u>	
Interest	\$889
Gifts and Donations	13,750
Total Additions	<u>14,639</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>9,250</u>
 Change in Net Position	 5,389
 Net Position at Beginning of Year	 <u>80,414</u>
Net Position at End of Year	<u><u>\$85,803</u></u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1960. The School District serves an area of approximately one hundred sixty-four square miles. It is located in Delaware, Hardin, and Marion Counties. It is staffed by forty-seven classified employees, eighty-three certified teaching personnel, and six administrative employees who provide services to 1,042 students and other community members. The School District currently operates one instructional building and an administration building.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Elgin Local School District.

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Stark County Schools Council of Governments Health Benefit Plan, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 23 and 24 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District 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 property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) 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 activities that are not required to be reported in a trust fund. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

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; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 15 and 16 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For the School District, deferred inflows of resources includes property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was 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 deferred inflows 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 fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 15 and 16 to the basic financial statements.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

F. Cash and Investments

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

Cash and cash equivalents held for the School District by US Bank, who services the School District's school facilities construction and improvement debt are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2020, the School District invested in mutual funds, nonnegotiable and negotiable certificates of deposit, federal agency securities, municipal bonds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a 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, twenty-four hours advance notice is appreciated for 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 this purpose.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2020 was \$416,009 which includes \$73,411 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Restricted assets represent certain resources which are segregated from other resources of the School District to comply with various covenants established by debt financing agreements. These assets are generally held in separate accounts of the School District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	15 - 50 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 15 years
Vehicles	10 - 15 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

L. Compensated Absences

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. 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. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated as well as certain amounts for instruction and student activities.

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 used only to report a deficit balance.

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

P. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, 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 systems. 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 systems report investments at fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 financial statements.

R. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities”, Statement No. 90, “Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61”, and related guidance from GASB Implementation Guide 2019-2, “Fiduciary Activities”.

For fiscal year 2020, the School District also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established 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 School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds have been reclassified as governmental funds. These reclassifications resulted in a restatement of the School District’s financial statements.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government’s holding of the equity interest meets the definition of an investment. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position
(continued)

Restatement of Fund Balance/Net Position

The restatement due to the implementation of GASB Statement No. 84 had the following effect on fund balance as previously reported at June 30, 2019.

	General Fund	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance, June 30, 2019	\$14,582,524	\$6,171,086	\$1,121,606	\$21,875,216
GASB Statement No. 84	0	0	37,492	37,492
Restated Fund Balance, June 30, 2019	\$14,582,524	\$6,171,086	\$1,159,098	\$21,912,708

The restatement had the following effect on net position as previously reported.

	Governmental Activities
Net Position June 30, 2019	\$30,054,195
GASB Statement No. 84	37,492
Restated Net Position June 30, 2019	\$30,091,687

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds; at June 30, 2019, agency funds reported assets and liabilities of \$37,492.

Note 4 - Accountability

At June 30, 2020, the Title VI-B, Title II-A, and the 21st Century Grant special revenue funds had a deficit fund balance, in the amount of \$3,191, \$340, and \$529, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 as follows:

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

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance

GAAP Basis	\$1,618,542
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2019, Received in Cash FY 2020	1,784,876
Accrued FY 2020, Not Yet Received in Cash	(1,767,821)
Expenditure Accruals:	
Accrued FY 2019, Paid in Cash FY 2020	(1,446,427)
Accrued FY 2020, Not Yet Paid in Cash	1,403,007
Cash Adjustments:	
Unrecorded Activity FY 2019	21,249
Unrecorded Activity FY 2020	(94,225)
Prepaid Items	16,110
Materials and Supplies Inventory	(1,747)
Advances In	750
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(247,149)
Budget Basis	\$1,287,165

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits 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.

Protection of the School District's 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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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

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

Investments

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

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Fair Value - Level One Inputs					
Mutual Funds	\$1,340,604	\$1,340,604	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	5,800,879	499,008	758,320	1,262,216	3,281,335
Federal Farm Credit Bank Notes	2,445,421	0	0	0	2,445,421
Federal Home Loan Bank Notes	3,177,856	0	0	0	3,177,856
Municipal Bonds	505,345	0	505,345	0	0
Total Fair Value - Level Two Inputs	11,929,501	499,008	1,263,665	1,262,216	8,904,612
Net Asset Value Per Share					
STAR Ohio	9,224,350	9,224,350	0	0	0
Total Investments	\$22,494,455	\$11,063,962	\$1,263,665	\$1,262,216	\$8,904,612

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The negotiable certificates of deposit are generally covered by FDIC insurance and/or SIPC insurance. The federal agency securities, municipal bonds, and mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District's investment policy states that the School District may not invest more than 25 percent of its portfolio individually or in combination in commercial paper and/or bankers' acceptances. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$5,800,879	25.79%
Federal Farm Credit Bank Notes	2,445,421	10.87
Federal Home Loan Bank Notes	3,177,856	14.13
Municipal Bonds	505,345	2.25

Note 7 - Receivables

Receivables at June 30, 2020, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, interfund, and property taxes. 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. All receivables, except income taxes and property taxes are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Marion City School District	\$2,833
Medicaid	1,957
North Central Ohio Educational Service Center	2,987
Total General Fund	7,777
Other Governmental Funds	
Food Service	13,149
Title VI-B	16,343
Title I	116,615
Title II-A	12,191
21 st Century Grant	27,178
Total Other Governmental Funds	185,476
Total Intergovernmental Receivables	\$193,253

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The continuous tax levy was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. 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 market 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.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible 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 School District receives property taxes from Delaware, Hardin, and Marion Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2020, and for which there was 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 reflected 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 of resources - property taxes.

The amount available as an advance at June 30, 2020, was \$1,506,149 in the General Fund, \$313,626 in the Bond Retirement fund, and \$42,290 in the Permanent Improvement fund. The amount available as an advance at June 30, 2019, was \$1,456,036 in the General Fund, \$9,347 in the Bond Retirement fund, and \$1,191 in the Permanent Improvement fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

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

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$160,810,250	85.55%	\$151,468,380	82.99%
Industrial/Commercial	10,396,090	5.53	10,653,720	5.84
Public Utility	16,771,530	8.92	20,392,390	11.17
Total Assessed Value	<u>\$187,977,870</u>	<u>100.00%</u>	<u>\$182,514,490</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.46		\$43.49	

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2020 Taxes Abated
Community Reinvestment Area	
City of Marion	\$3,438
Community Reinvestment Area	
Marion County	243,462
	\$246,900

Note 11 - Capital Assets

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

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$222,679	\$0	\$0	\$222,679
Depreciable Capital Assets				
Land Improvements	701,722	6,324	0	708,046
Buildings and Building Improvements	34,703,346	31,250	0	34,734,596
Furniture, Fixtures, and Equipment	680,125	135,085	0	815,210
Vehicles	1,337,531	97,162	(110,100)	1,324,593
Total Depreciable Capital Assets	37,422,724	269,821	(110,100)	37,582,445
Less Accumulated Depreciation				
Land Improvements	(38,741)	(20,272)	0	(59,013)
Buildings and Building Improvements	(1,965,782)	(365,868)	0	(2,331,650)
Furniture, Fixtures, and Equipment	(272,955)	(80,471)	0	(353,426)
Vehicles	(719,881)	(104,006)	100,530	(723,357)
Total Accumulated Depreciation	(2,997,359)	(570,617)	100,530	(3,467,446)
Depreciable Capital Assets, Net	34,425,365	(300,796)	(9,570)	34,114,999
Governmental Activities Capital Assets, Net	\$34,648,044	(\$300,796)	(\$9,570)	\$34,337,678

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$199,807
Special	14,242
Vocational	13,517
Support Services:	
Pupils	3,643
Instructional Staff	5,299
Board of Education	331
Administration	17,934
Fiscal	10,813
Operation and Maintenance of Plant	53,871
Pupil Transportation	118,290
Central	19,349
Non-Instructional Services	46,596
Extracurricular Activities	66,925
Total Depreciation Expense	\$570,617

Note 12 - Interfund Receivables/Payables

At June 30, 2020, the General Fund had an interfund receivable, in the amount of \$31,763, from other governmental funds for short-term loans made to those funds. These amounts are expected to be repaid within one year.

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Aggregate	\$2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Building and Contents	55,544,862

Coverage provided by the Indiana Insurance Company is as follows:

Excess Liability	4,000,000
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Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Risk Management (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2021 are as follows:

General Fund	\$247,149
Other Governmental Funds	33,113
Total	<u>\$280,262</u>

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

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

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

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The School District's contractually required contribution to SERS was \$229,204 for fiscal year 2020. Of this amount, \$36,271 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

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

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$771,384 for fiscal year 2020. Of this amount, \$126,780 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, 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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04825730%	0.04581512%	
Current Measurement Date	0.04822550%	0.04468879%	
Change in Proportionate Share	<u>0.00003180%</u>	<u>0.00112633%</u>	
Proportionate Share of the Net Pension Liability	\$2,885,417	\$9,882,659	\$12,768,076
Pension Expense	\$450,322	\$1,289,789	\$1,740,111

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$73,168	\$80,462	\$153,630
Changes of Assumptions	0	1,160,909	1,160,909
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	24,517	166,395	190,912
School District Contributions Subsequent to the Measurement Date	229,204	771,384	1,000,588
Total Deferred Outflows of Resources	<u>\$326,889</u>	<u>\$2,179,150</u>	<u>\$2,506,039</u>

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

Deferred Inflows of Resources

Differences Between Expected and Actual Experience	\$0	\$42,780	\$42,780
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	37,038	483,011	520,049
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>35,436</u>	<u>343,214</u>	<u>378,650</u>
Total Deferred Inflows of Resources	<u>\$72,474</u>	<u>\$869,005</u>	<u>\$941,479</u>

\$1,000,588 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$71,093	\$525,641	\$596,734
2022	(64,422)	64,625	203
2023	(2,465)	(61,758)	(64,223)
2024	<u>21,005</u>	<u>10,253</u>	<u>31,258</u>
Total	<u>\$25,211</u>	<u>\$538,761</u>	<u>\$563,972</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 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.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

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.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

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

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

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	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	100.00%	

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$4,043,500	\$2,885,417	\$1,914,218

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.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent 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. 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 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$14,442,403	\$9,882,659	\$6,022,599

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2020, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$26,604.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$26,604 for fiscal year 2020. Of this amount, \$26,604 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the 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 STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to postemployment health care.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	.04793630%	.04581512%	
Current Measurement Date	.04849800%	.04468879%	
Change in Proportionate Share	<u>.00056170%</u>	<u>.00112633%</u>	
Proportionate Share of the			
Net OPEB Liability	\$1,219,624	\$0	\$1,219,624
Net OPEB Asset	\$0	\$740,153	\$740,153
OPEB Expense	\$20,024	(\$227,079)	(\$207,055)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$17,903	\$67,100	\$85,003
Changes of Assumptions	89,080	15,558	104,638
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	2,928	0	2,928
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	32,691	46,985	79,676
School District Contributions Subsequent to the Measurement Date	26,604	0	26,604
Total Deferred Outflows of Resources	<u>\$169,206</u>	<u>\$129,643</u>	<u>\$298,849</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$267,943	\$37,656	\$305,599
Changes of Assumptions	68,344	811,491	879,835
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	46,487	46,487
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	18,094	37,880	55,974
Total Deferred Inflows of Resources	<u>\$354,381</u>	<u>\$933,514</u>	<u>\$1,287,895</u>

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

\$26,604 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	(\$81,114)	(\$177,154)	(\$258,268)
2022	(29,009)	(177,154)	(206,163)
2023	(28,150)	(158,523)	(186,673)
2024	(28,290)	(151,990)	(180,280)
2025	(30,330)	(140,101)	(170,431)
Thereafter	(14,886)	1,051	(13,835)
Total	<u>(\$211,779)</u>	<u>(\$803,871)</u>	<u>(\$1,015,650)</u>

Actuarial Assumptions - SERS

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

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

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.7 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

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

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, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2019, was 3.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent 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 Twenty-Year Municipal Bond Index Rate of 3.13 percent, 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. 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - 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 and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) or one percentage point higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22)
School District's Proportionate Share of the Net OPEB Liability	\$1,480,391	\$1,219,624	\$1,012,282
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$977,165	\$1,219,624	\$1,541,306

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

Since the prior measurement date, there was no change to the claims cost 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 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Defined Benefit OPEB Plans (continued)

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the 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 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)								
School District's Proportionate Share of the Net OPEB Asset	\$631,574	\$740,153	\$831,444								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">1% Decrease</th> <th style="text-align: center; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="text-align: center; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> <tbody> <tr> <td style="padding-top: 10px;">School District's Proportionate Share of the Net OPEB Asset</td> <td style="text-align: center; padding-top: 10px;">\$839,300</td> <td style="text-align: center; padding-top: 10px;">\$740,153</td> <td style="text-align: center; padding-top: 10px;">\$618,723</td> </tr> </tbody> </table>					1% Decrease	Current Trend Rate	1% Increase	School District's Proportionate Share of the Net OPEB Asset	\$839,300	\$740,153	\$618,723
	1% Decrease	Current Trend Rate	1% Increase								
School District's Proportionate Share of the Net OPEB Asset	\$839,300	\$740,153	\$618,723								

Note 17 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred sixty days for classified employees and two hundred fifty days for certified employees. Upon retirement, classified employees will receive payment for one-third of accrued but unused sick leave credit to a maximum of eighty six and two-thirds days and certified employees will receive payment for one-fourth of accrued but unused sick leave credit to a maximum of sixty two and one-half days.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

The School District offers a separation benefit to classified employees who retire in the first year in which they are eligible under SERS rules. Eligible classified employees will be paid \$5,000. At June 30, 2020, there was no liability for separation benefits.

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds, 2010A					
Term Bonds 5.966%	\$2,040,000	\$0	\$2,040,000	\$0	\$0
School Facilities Construction and Improvement Bonds, 2010B					
Term Bonds 5.499%	11,975,000	0	0	11,975,000	0
General Obligation Bonds from Direct Placement					
Refunding School Improvement Bonds, 2019					
Term Bonds 1.92%	0	2,040,000	0	2,040,000	28,000
Total General Obligation Bonds	14,015,000	2,040,000	2,040,000	14,015,000	28,000

(continued)

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 - Long-Term Obligations (continued)

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20	Amounts Due Within One Year
Governmental Activities (continued)					
Net Pension Liability					
SERS	\$2,763,784	\$121,633	\$0	\$2,885,417	\$0
STRS	10,073,715	0	191,056	9,882,659	0
Total Net Pension Liability	12,837,499	121,633	191,056	12,768,076	0
Net OPEB Liability					
SERS	1,329,882	0	110,258	1,219,624	0
Capital Leases Payable	31,448	0	11,348	20,100	11,877
Compensated Absences Payable	814,526	0	129,578	684,948	65,487
Total Governmental Activities Long-Term Obligations	<u>\$29,028,355</u>	<u>\$2,161,633</u>	<u>\$2,482,240</u>	<u>\$28,707,748</u>	<u>\$105,364</u>

School Facilities Construction and Improvement Bonds, 2010A - On August 31, 2010, the School District issued \$2,040,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for a twenty-one year period, with final maturity in fiscal year 2031. During fiscal year 2020, principal, in the amount of \$44,050, was paid and the remaining balance of \$1,995,950 was refunded.

School Facilities Construction and Improvement Bonds, 2010B - On August 31, 2010, the School District issued \$11,975,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for an eighteen year period, with final maturity in fiscal year 2028. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the School District, either in whole on any date or in part, in such order of maturity as the School District shall determine, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Treasury payments from the federal government cease.

Refunding School Improvement Bonds, 2019 - On December 5, 2019, the School District issued \$2,040,000 in general obligation bonds through a direct placement to currently refund bonds previously issued in fiscal year 2011 (2010A) for constructing, renovating, and equipping school facilities. The bonds were issued for a twelve year period, with final maturity in fiscal year 2031. The bonds are being retired through the Bond Retirement debt service fund.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 - Long-Term Obligations (continued)

The net proceeds of the refunding bond issue, in the amount of \$1,997,640, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the School Facilities Construction and Improvement Bonds, 2010A. As a result, \$1,995,950 of the School Facilities Construction and Improvement Bonds, 2010A are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$1,690, the School District in effect decreased its aggregate debt service payments by \$837,634 over the next nineteen years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$738,594.

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2020	\$28,000
2021	5,000
2022	5,000
2023	5,000
2024	5,000
2025	5,000
2026	5,000
2027	5,000
2028	624,000
2029	669,000

The remaining principal, in the amount of \$684,000, will be paid at stated maturity on December 1, 2030.

The refunded bonds were fully retired on December 6, 2019.

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund, and the Food Service, Title VI-B, Title I, Title II-A, and 21st Century Grant special revenue funds.

Capital leases will be paid from the General Fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$9,885,111 with an unvoted debt margin of \$182,514 at June 30, 2020.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2020, were as follows:

Fiscal Year Ending	General Obligation Bonds		General Obligation Bonds from Direct Placement	
	Principal	Interest	Principal	Interest
2021	\$0	\$658,505	\$28,000	\$38,899
2022	0	658,505	5,000	38,582
2023	0	658,505	5,000	38,487
2024	0	658,506	5,000	38,390
2025	0	658,506	5,000	38,294
2026-2030	11,975,000	1,478,940	1,308,000	165,830
2031	0	0	684,000	6,567
	<u>\$11,975,000</u>	<u>\$4,771,467</u>	<u>\$2,040,000</u>	<u>\$365,049</u>

Note 19 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2020 were \$11,348.

	Governmental Activities
Equipment	\$56,000
Less Accumulated Depreciation	(36,390)
Carrying Value at June 30, 2020	<u>\$19,610</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2020.

Year	Governmental Activities	
	Principal	Interest
2021	\$11,877	\$671
2022	8,223	141
Total	<u>\$20,100</u>	<u>\$812</u>

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2020.

	Capital Improvements
Balance June 30, 2019	\$0
Current Year Set Aside Requirement	196,487
Qualifying Expenditures	(196,487)
Balance June 30, 2020	\$0

Note 21 - Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$34,830	\$0	\$6,603	\$41,433
Prepaid Items	16,280	0	410	16,690
Total Nonspendable	51,110	0	7,013	58,123
Restricted for:				
Athletics and Music	0	0	7,847	7,847
Capital Improvements	0	0	311,853	311,853
Community Involvement	0	0	30,578	30,578
Debt Retirement	0	7,473,807	0	7,473,807
Facilities Maintenance	0	0	729,486	729,486
Food Service Operations	0	0	307,640	307,640

(continued)

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 21 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for (continued):				
Student Activities	\$0	\$0	\$34,955	\$34,955
Student Intervention	0	0	2,067	2,067
Student Wellness and Success	0	0	209,987	209,987
Total Restricted	0	7,473,807	1,634,413	9,108,220
Assigned for:				
Instructional Materials	2,989	0	0	2,989
Regular Instruction	4,779	0	0	4,779
Student Activities	16,344	0	0	16,344
Unpaid Obligations	205,375	0	0	205,375
Total Assigned	229,487	0	0	229,487
Unassigned (Deficit)	15,920,469	0	(5,081)	15,915,388
Total Fund Balance	\$16,201,066	\$7,473,807	\$1,636,345	\$25,311,218

Note 22 - Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$75,803 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 23 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Franklin, Knox, Licking, Lorain, Marion, Morrow, Muskingum, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of twelve members of participating school districts. During fiscal year 2020, the School District paid \$29,936 to META for various services. Financial information can be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

Note 23 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 24 - Insurance Pools

A. Stark County Schools Council of Governments Health Benefit Plan

The School District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 2100 Thirty-Eighth Street Northwest, Canton, Ohio 44709.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 25 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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 School District, which can extend past the fiscal year end. As a result of the fiscal year 2020 review, the School District is due \$10,356 from ODE. This amount has not been included in the financial statements.

C. Litigation

There are currently no matters in litigation with the School District as defendant.

Note 26 - 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 for the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the School District's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

Elgin Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.04822550%	0.04825730%	0.04611490%	0.04887650%
School District's Proportionate Share of the Net Pension Liability	\$2,885,417	\$2,763,784	\$2,755,263	\$3,577,309
School District's Employee Payroll	\$1,653,193	\$1,569,541	\$1,543,136	\$1,530,321
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	174.54%	176.09%	178.55%	233.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04898320%	0.04788000%	0.04788000%
\$2,795,029	\$2,423,180	\$2,847,270
\$1,459,393	\$1,266,046	\$1,396,031
191.52%	191.40%	203.95%
69.16%	71.70%	65.52%

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Elgin Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04849800%	0.04793630%	0.04612500%	0.04898660%
School District's Proportionate Share of the Net OPEB Liability	\$1,219,624	\$1,329,882	\$1,237,874	\$1,396,299
School District's Employee Payroll	\$1,653,193	\$1,569,541	\$1,543,136	\$1,530,321
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	73.77%	84.73%	80.22%	91.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

Elgin Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.04468879%	0.04581512%	0.04423294%	0.04526008%
School District's Proportionate Share of the Net Pension Liability	\$9,882,659	\$10,073,715	\$10,507,630	\$15,149,913
School District's Employee Payroll	\$5,240,921	\$5,224,207	\$4,944,100	\$4,751,414
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	188.57%	192.83%	212.53%	318.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.04577001%	0.04642152%	0.04642152%
\$12,649,491	\$11,291,320	\$13,450,147
\$4,874,121	\$4,482,169	\$4,929,031
259.52%	251.92%	272.88%
72.10%	74.70%	69.30%

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Elgin Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04468879%	0.04581512%	0.04423294%	0.04526008%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$740,153)	(\$736,202)	\$1,725,806	\$2,420,521
School District's Employee Payroll	\$5,240,921	\$5,224,207	\$4,944,100	\$4,751,414
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.12%	-14.09%	34.91%	50.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

Elgin Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$229,204	\$223,181	\$211,888	\$216,039
Contributions in Relation to the Contractually Required Contribution	<u>(229,204)</u>	<u>(223,181)</u>	<u>(211,888)</u>	<u>(216,039)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$1,637,171	\$1,653,193	\$1,569,541	\$1,543,136
Pension Contributions as a Percentage of Employee Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$26,604	\$31,013	\$29,212	\$22,036
Contributions in Relation to the Contractually Required Contribution	<u>(26,604)</u>	<u>(31,013)</u>	<u>(29,212)</u>	<u>(22,036)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.62%</u>	<u>1.88%</u>	<u>1.86%</u>	<u>1.43%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.62%</u>	<u>15.38%</u>	<u>15.36%</u>	<u>15.43%</u>

(1) The School District's covered payroll is the same for pension and OPEB.

(2) Includes surcharge.

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>
\$214,245	\$192,348	\$175,474	\$193,211	\$184,572	\$183,318
<u>(214,245)</u>	<u>(192,348)</u>	<u>(175,474)</u>	<u>(193,211)</u>	<u>(184,572)</u>	<u>(183,318)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,530,321	\$1,459,393	\$1,266,046	\$1,396,031	\$1,372,283	\$1,458,374
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$22,453	\$36,464	\$25,710	\$27,236	\$29,918	\$44,059
<u>(22,453)</u>	<u>(36,464)</u>	<u>(25,710)</u>	<u>(27,236)</u>	<u>(29,918)</u>	<u>(44,059)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.47%</u>	<u>2.50%</u>	<u>2.03%</u>	<u>1.95%</u>	<u>2.18%</u>	<u>3.02%</u>
<u>15.47%</u>	<u>15.68%</u>	<u>15.89%</u>	<u>15.79%</u>	<u>15.63%</u>	<u>15.59%</u>

Elgin Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$771,384	\$733,729	\$731,389	\$692,174
Contributions in Relation to the Contractually Required Contribution	<u>(771,384)</u>	<u>(733,729)</u>	<u>(731,389)</u>	<u>(692,174)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$5,509,886	\$5,240,921	\$5,224,207	\$4,944,100
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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>
\$665,198	\$682,377	\$582,682	\$640,774	\$624,947	\$663,866
<u>(665,198)</u>	<u>(682,377)</u>	<u>(582,682)</u>	<u>(640,774)</u>	<u>(624,947)</u>	<u>(663,866)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,751,414	\$4,874,121	\$4,482,169	\$4,929,031	\$4,807,285	\$5,106,662
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$44,822	\$49,288	\$48,073	\$51,067
<u>0</u>	<u>0</u>	<u>(44,822)</u>	<u>(49,288)</u>	<u>(48,073)</u>	<u>(51,067)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Elgin Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Elgin Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Elgin Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims cost 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 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Passed Through the Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 60,479
Cash Assistance:		
COVID-19 School Breakfast Program	10.553	5,344
School Breakfast Program	10.553	56,032
COVID-19 National School Lunch Program	10.555	16,190
National School Lunch Program	10.555	188,467
COVID-19 Summer Food Service Program for Children	10.559	93,636
Total Child Nutrition Cluster		420,148
TOTAL U.S. DEPARTMENT OF AGRICULTURE		420,148
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through the Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	199,488
Special Education Cluster:		
Special Education_Grants to States	84.027	236,030
Special Education_Preschool Grants	84.173	4,134
Total Special Education Cluster		240,164
Twenty-First Century Community Learning Centers	84.287	188,885
English Language Acquisition State Grants	84.365	2,386
Supporting Effective Instruction State Grant	84.367	21,700
Student Support and Academic Enrichment Program	84.424	16,573
TOTAL U.S. DEPARTMENT OF EDUCATION		669,196
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,089,344

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Elgin Local School District (the School District) under programs of the federal government for the year ended June 30, 2020. 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 School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elgin Local School District, Marion County, (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 12, 2021, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2021

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

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Elgin Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Elgin Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Elgin Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2021

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

None

OHIO AUDITOR OF STATE KEITH FABER



ELGIN LOCAL SCHOOL DISTRICT

MARION 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 2/9/2021

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