

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

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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

Board of Education  
East Knox Local School District  
23201 Coshocton Road  
Howard, Ohio 43028

We have reviewed the *Independent Auditor's Report* of the East Knox Local School District, Knox County, prepared by Julian & Grube, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

January 26, 2022

**This page intentionally left blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities .....	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	22
Statement of Net Position - Proprietary Fund .....	23
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	24
Statement of Cash Flows - Proprietary Fund.....	25
Notes to the Basic Financial Statements.....	26 - 68
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	71 - 72
State Teachers Retirement System (STRS) of Ohio .....	73 - 74
Schedule of District Pension Contributions:	
School Employees Retirement System (SERS) of Ohio .....	75 - 76
State Teachers Retirement System (STRS) of Ohio .....	77 - 78
Schedule of the District’s Proportionate Share of the Net OPEB Liability/Asset:	
School Employees Retirement System (SERS) of Ohio .....	79
State Teachers Retirement System (STRS) of Ohio .....	80
Schedule of District OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio .....	81 - 82
State Teachers Retirement System (STRS) of Ohio .....	83 - 84
Notes to the Required Supplementary Information .....	85 - 86
Supplementary Information:	
Schedule of Expenditures of Federal Awards .....	87
Notes to the Schedule of Expenditures of Federal Awards.....	88
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	89 - 90
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance .....	91 - 92
Schedule of Findings 2 <i>CFR</i> § 200.515.....	93

**This page intentionally left blank.**

## Independent Auditor's Report

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

To the Members of the Board of Education:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Knox Local School District, Knox County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the East Knox Local School District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the East Knox Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East Knox Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Knox Local School District, Knox County, Ohio, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the East Knox Local School District. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Knox Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the East Knox Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Knox Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Knox Local School District's internal control over financial reporting and compliance.





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management's discussion and analysis of the East Knox Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position of governmental activities increased \$3,548,962 which represents a 67.60% increase over the 2020 balance of \$5,249,995. This increase is primarily from an increase in property tax revenues and grant revenue.
- General revenues accounted for \$14,933,918 in revenue or 81.68% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,349,703 or 18.32% of total revenues of \$18,283,621.
- The District had \$14,734,659 in expenses related to governmental activities; only \$3,349,703 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,933,918 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the building fund. The general fund had \$13,320,083 in revenues and other financing sources and \$10,701,882 in expenditures. During fiscal 2021, the general fund's fund balance increased \$2,618,201 from \$8,552,917 to \$11,171,118.
- The bond retirement fund had \$1,839,707 in revenues and \$1,687,406 in expenditures. During fiscal 2021, the bond retirement fund's fund balance increased \$152,301 from \$1,721,178 to \$1,873,479.
- The building fund had \$46,125 in revenues and \$5,527,435 in expenditures. During fiscal 2021, the building fund's fund balance decreased \$5,481,310 from \$18,695,949 to \$13,214,639.

**Using These Basic Financial Statements**

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement and the building fund are by far the most significant funds, and the only governmental funds reported as a major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund, and the building fund.

***Governmental Funds***

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

***Proprietary Funds***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-65 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability and District contributions for pension and OPEB. The required supplementary information can be found on pages 66 - 81 of this report.

THIS SPACE INTENTIONALLY LEFT BLANK

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2021 and June 30, 2020.

	<b>Net Position</b>	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 41,420,155	\$ 40,913,092
Capital assets, net	<u>14,741,616</u>	<u>10,258,148</u>
Total assets	<u>56,161,771</u>	<u>51,171,240</u>
<b><u>Deferred outflows of resources</u></b>		
Deferred charges on refunding	60,718	65,243
Pension	1,809,802	1,835,942
OPEB	<u>275,967</u>	<u>206,784</u>
Total deferred outflows of resources	<u>2,146,487</u>	<u>2,107,969</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,644,801	1,252,046
Long-term liabilities	<u>38,667,750</u>	<u>38,938,761</u>
Total liabilities	<u>41,312,551</u>	<u>40,190,807</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	7,030,919	6,285,810
Pension	111,854	648,710
OPEB	<u>1,053,977</u>	<u>903,887</u>
Total deferred inflows of resources	<u>8,196,750</u>	<u>7,838,407</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	208,270	419,591
Restricted	4,487,040	3,379,411
Unrestricted	<u>4,103,647</u>	<u>1,450,993</u>
Total net position	<u>\$ 8,798,957</u>	<u>\$ 5,249,995</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

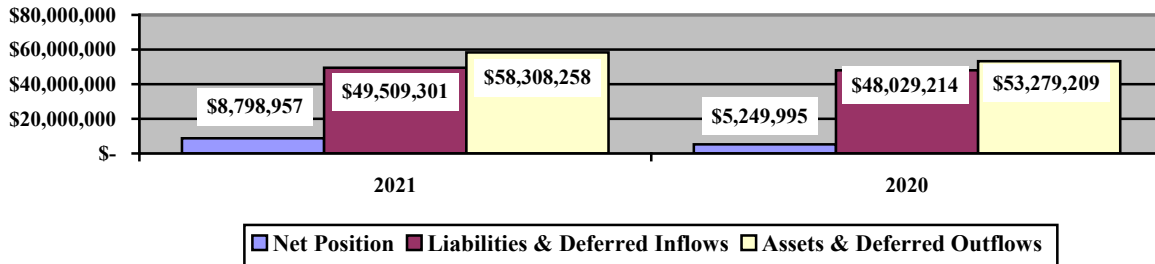
Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2021, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$8,798,957.

At year end, capital assets represented 26.25% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2021, was \$208,270. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$4,103,647, represents resources that are subject to external restriction on how they may be used.

The graph below illustrates the governmental activities assets, liabilities and net position at June 30, 2021 and 2020.

**Governmental Activities**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The table below shows the change in net position for fiscal years 2021 and 2020.

**Change in Net Position**

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 905,314	\$ 1,040,858
Operating grants and contributions	2,444,389	1,553,763
Capital grants and contributions	-	15,000
General revenues:		
Property taxes	9,992,348	8,926,059
Grants and entitlements	4,769,292	4,537,597
Investment earnings	66,522	776,511
Miscellaneous	<u>105,756</u>	<u>112,287</u>
Total revenues	<u>\$ 18,283,621</u>	<u>\$ 16,962,075</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,064,611	\$ 3,679,374
Special	1,689,850	1,630,093
Vocational	247,759	227,973
Other	2,331,524	2,443,761
Support services:		
Pupil	563,126	684,234
Instructional staff	193,639	162,897
Board of education	18,522	13,526
Administration	993,062	935,450
Fiscal	413,281	457,433
Operations and maintenance	1,654,324	948,233
Pupil transportation	766,004	866,657
Central	177,386	179,870
Operation of non-instructional services:		
Other non-instructional services	43,506	66,397
Food service operations	489,075	476,896
Extracurricular activities	385,200	417,833
Interest and fiscal charges	703,790	726,357
Debt issuance costs	<u>-</u>	<u>33,750</u>
Total expenses	<u>14,734,659</u>	<u>13,950,734</u>
Change in net position	3,548,962	3,011,341
Net position at beginning of year	<u>5,249,995</u>	<u>2,238,654</u>
Net position at end of year	<u>\$ 8,798,957</u>	<u>\$ 5,249,995</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Governmental Activities**

Net position of the District's governmental activities increased \$3,548,962 over the 2020 balance. Total governmental expenses of \$14,734,659 were offset by program revenues of \$3,349,703 and general revenues of \$14,933,918. Program revenues supported 22.73% of the total governmental expenses.

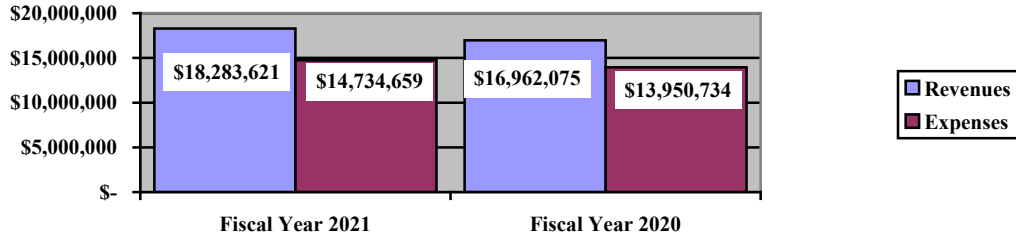
Expenses of the governmental activities increased \$783,925 or 5.61%. This increase is primarily the result of an increase in expenses related to operations and maintenance. During the current fiscal year, the District signed an operating lease for modular rental. The current year payments totaled \$540,711 and were reported on the financial statements as operations and maintenance expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.74% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,333,744 or 56.56% of total governmental expenses for fiscal year 2021.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2021 and 2020.

**Governmental Activities - Revenues and Expenses**





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2021</u>	Net Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,064,611	\$ 2,946,209	\$ 3,679,374	\$ 3,050,074
Special	1,689,850	905,795	1,630,093	837,807
Vocational	247,759	216,337	227,973	199,757
Other	2,331,524	2,251,347	2,443,761	2,403,101
Support services:				
Pupil	563,126	94,042	684,234	415,970
Instructional staff	193,639	137,664	162,897	111,460
Board of education	18,522	18,522	13,526	13,526
Administration	993,062	855,083	935,450	803,203
Fiscal	413,281	413,281	457,433	457,433
Operations and maintenance	1,654,324	1,607,281	948,233	918,233
Pupil transportation	766,004	766,004	866,657	860,268
Central	177,386	177,386	179,870	179,870
Operation of non-instructional services:				
Other non-instructional services	43,506	43,506	66,397	66,397
Food service operations	489,075	(24,519)	476,896	56,483
Extracurricular activities	385,200	273,228	417,833	207,424
Interest and fiscal charges	703,790	703,790	726,357	726,357
Debt issuance costs	-	-	33,750	33,750
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 14,734,659</u>	<u>\$ 11,384,956</u>	<u>\$ 13,950,734</u>	<u>\$ 11,341,113</u>

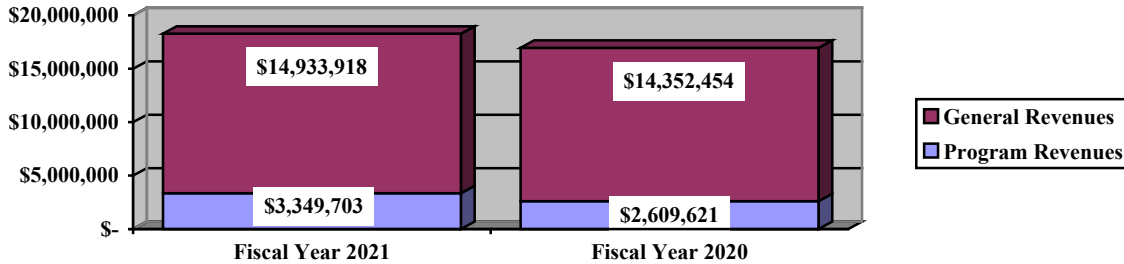
The dependence upon tax and other general revenues for governmental activities is apparent; 75.83% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.27%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The graph below presents the District's governmental activities revenue for fiscal years 2021 and 2020.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$27,794,914, which is a lower balance than last year's total balance of \$29,931,737. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

	Fund Balance <u>June 30, 2021</u>	Fund Balance <u>June 30, 2020</u>	Increase <u>(Decrease)</u>
General	\$ 11,171,118	\$ 8,552,917	\$ 2,618,201
Bond retirement	1,873,479	1,721,178	152,301
Building	13,214,639	18,695,949	(5,481,310)
Other governmental	<u>1,535,678</u>	<u>961,693</u>	<u>573,985</u>
Total	<u>\$ 27,794,914</u>	<u>\$ 29,931,737</u>	<u>\$ (2,136,823)</u>

**General Fund**

The District's general fund balance increased \$2,618,201. The primary revenue source of the general fund is property tax revenues. Property tax revenues represent \$7,472,684 or 56.16% of general fund revenues. Intergovernmental revenue makes up \$4,899,307 or 36.82% of the general fund revenues. These primarily consist of governmental revenues from the State.

The largest expenditure of the general fund is instruction which total \$6,997,463 or 65.39% of general fund expenditures. Instruction expenditures consist of primarily of District employee wages and benefits.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 7,472,684	\$ 6,739,438	\$ 733,246	10.88 %
Tuition	745,429	672,416	73,013	10.86 %
Earnings on investments	25,696	353,934	(328,238)	(92.74) %
Intergovernmental	4,899,307	4,656,654	242,653	5.21 %
Other revenues	<u>162,858</u>	<u>135,852</u>	<u>27,006</u>	19.88 %
<b>Total</b>	<b><u>\$ 13,305,974</u></b>	<b><u>\$ 12,558,294</u></b>	<b><u>\$ 747,680</u></b>	5.95 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,997,463	\$ 7,348,418	\$ (350,955)	(4.78) %
Support services	3,431,890	3,581,048	(149,158)	(4.17) %
Operation of non-instructional services	33,574	50,091	(16,517)	(32.97) %
Extracurricular activities	238,955	219,561	19,394	8.83 %
Debt service	<u>-</u>	<u>106,242</u>	<u>(106,242)</u>	100.00 %
<b>Total</b>	<b><u>\$ 10,701,882</u></b>	<b><u>\$ 11,305,360</u></b>	<b><u>\$ (603,478)</u></b>	(5.34) %

***Bond Retirement Fund***

The bond retirement fund had \$1,839,707 in revenues and \$1,687,406 in expenditures. During fiscal 2021, the bond retirement fund's fund balance increased \$152,301 from \$1,721,178 to \$1,873,479.

***Building Fund***

The building fund had \$46,125 in revenues \$5,527,435 in expenditures. During fiscal 2021, the building fund's fund balance decreased \$5,481,310 from \$18,695,949 to \$13,214,639.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2021, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$13,198,215, which was higher than the original budgeted revenues and other financing sources of \$12,635,038. Actual revenues and other financing sources for fiscal 2021 were \$13,186,840 which was \$11,375 lower than the final budgeted revenues.

General fund original appropriations and other financing uses of \$12,047,805 were decreased to \$11,015,305 in the final budget. The actual budget basis expenditures for fiscal year 2021 totaled \$10,920,565, which was \$94,740 less than the final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$14,741,616 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2021 balances compared to the 2020:

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

	Governmental Activities	
	2021	2020
Land	\$ 243,950	\$ 243,950
Construction in progress	5,376,396	511,365
Land improvements	312,020	351,530
Building and improvements	7,862,049	8,168,737
Furniture and equipment	387,334	410,123
Vehicles	559,867	572,443
Total	\$ 14,741,616	\$ 10,258,148

The overall increase in capital assets of \$4,483,468 is due to capital outlays of \$5,151,118 exceeding depreciation expense of \$580,276 and net disposals of \$87,374.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District had \$26,125,000 in general obligation bonds and \$64,389 in lease purchase agreements outstanding. Of this total, \$1,104,389 is due within one year and \$25,085,000 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2021 compared to 2020.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
	General obligation bonds	\$ 26,125,000
Lease purchase agreements	64,389	126,728
Total	\$ 26,189,389	\$ 27,096,728

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Current Financial Related Activities**

The most significant issue for the District for the past thirteen years has been the financial situation. Specifically, the general fund operating funds. There was deficit spending in 2007-2013. The Board worked prudently for several years to build a cash balance for situations like this, but the balance dwindled due to deficit spending. The District approved over \$500,000 in budget cuts for 2010, an additional \$600,000 in 2011, and further reductions were made to start the 2011-2012 school year. Most of the cuts were personnel related. The District had high staff turnover in 2012-2013, 2013-2014, 2014-2015, and 2015-2016. In addition, an elementary K-4 building was closed, and the District consolidated to two buildings (K-6) and 7-12. As a result, the District finished 2014, 2015, and 2016 with an operating surplus. In November 2017, the District passed a \$1.2 million emergency operating levy. The District started receiving those funds in January 2016 and as a result, finished fiscal years 2017-2021 with revenues exceeding expenses.

For the past four years revenues have increased, due in part to the levy passage. Tax revenues increased approximately \$759,265 for 2018, \$73,677 for 2019, \$111,252 for 2020, and \$669,988 for 2021. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. The District had seen a large amount of delinquencies in the past few years and high rate of foreclosures in the area, but property values and sales have started to pick back up over the last couple years. The assessed valuation of the District increased by 18.8% or nearly \$57 million in 2020.

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

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

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

**The District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 27,769,076
Cash with fiscal agent	1,358,786
Receivables:	
Property taxes	11,434,389
Accounts	7,166
Accrued interest	72,684
Intergovernmental	142,141
Prepayments	90,444
Materials and supplies inventory	2,294
Inventory held for resale	3,761
Net OPEB asset	539,414
Capital assets:	
Nondepreciable capital assets	5,620,346
Depreciable capital assets, net	9,121,270
Capital assets, net	14,741,616
Total assets	56,161,771
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	60,718
Pension	1,809,802
OPEB	275,967
Total deferred outflows of resources	2,146,487
 <b>Liabilities:</b>	
Accounts payable	63,703
Contracts payable	1,289,662
Retainage payable	269,652
Accrued wages and benefits payable	609,927
Intergovernmental payable	80,772
Pension and postemployment benefits payable	140,260
Accrued interest payable	63,316
Claims payable	127,509
Long-term liabilities:	
Due within one year	1,134,087
Due in more than one year:	
Net pension liability	9,674,518
Net OPEB liability	770,903
Other amounts due in more than one year	27,088,242
Total liabilities	41,312,551
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	7,030,919
Pension	111,854
OPEB	1,053,977
Total deferred inflows of resources	8,196,750
 <b>Net position:</b>	
Net investment in capital assets	208,270
Restricted for:	
Capital projects	1,565,268
Debt service	2,124,280
State funded programs	542,134
Federally funded programs	12,054
Food service operations	151,791
Student activities	68,126
Other purposes	23,387
Unrestricted	4,103,647
Total net position	\$ 8,798,957

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 4,064,611	\$ 719,417	\$ 398,985	\$ (2,946,209)
Special	1,689,850	28,139	755,916	(905,795)
Vocational	247,759	-	31,422	(216,337)
Other	2,331,524	-	80,177	(2,251,347)
Support services:				
Pupil	563,126	-	469,084	(94,042)
Instructional staff	193,639	-	55,975	(137,664)
Board of education	18,522	-	-	(18,522)
Administration	993,062	46,251	91,728	(855,083)
Fiscal	413,281	-	-	(413,281)
Operations and maintenance	1,654,324	6	47,037	(1,607,281)
Pupil transportation	766,004	-	-	(766,004)
Central	177,386	-	-	(177,386)
Operation of non-instructional services:				
Food service operations	489,075	36,656	476,938	24,519
Other non-instructional services	43,506	-	-	(43,506)
Extracurricular activities	385,200	74,845	37,127	(273,228)
Interest and fiscal charges	703,790	-	-	(703,790)
<b>Totals</b>	<b>\$ 14,734,659</b>	<b>\$ 905,314</b>	<b>\$ 2,444,389</b>	<b>(11,384,956)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes				7,613,473
Debt service				1,721,955
Capital outlay				656,920
Grants and entitlements not restricted to specific programs				4,769,292
Investment earnings				66,522
Miscellaneous				105,756
Total general revenues				<u>14,933,918</u>
Change in net position				3,548,962
<b>Net position at beginning of year</b>				<u>5,249,995</u>
<b>Net position at end of year</b>				<u>\$ 8,798,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 9,994,010	\$ 1,429,120	\$ 14,756,998	\$ 1,588,948	\$ 27,769,076
Receivables:					
Property taxes	8,822,877	1,840,084	-	771,428	11,434,389
Accounts	6,905	-	-	261	7,166
Accrued interest	22,124	-	50,560	-	72,684
Intergovernmental	7,611	-	-	134,530	142,141
Prepayments	90,247	-	-	197	90,444
Materials and supplies inventory	-	-	-	2,294	2,294
Inventory held for resale	-	-	-	3,761	3,761
Total assets	<u>\$ 18,943,774</u>	<u>\$ 3,269,204</u>	<u>\$ 14,807,558</u>	<u>\$ 2,501,419</u>	<u>\$ 39,521,955</u>
<b>Liabilities:</b>					
Accounts payable	\$ 33,873	\$ -	\$ -	\$ 29,830	\$ 63,703
Contracts payable	-	-	1,289,662	-	1,289,662
Retainage payable	-	-	269,652	-	269,652
Accrued wages and benefits payable	514,539	-	-	95,388	609,927
Compensated absences payable	29,698	-	-	-	29,698
Intergovernmental payable	79,705	-	-	1,067	80,772
Pension and postemployment benefits payable	121,633	-	-	18,627	140,260
Total liabilities	<u>779,448</u>	<u>-</u>	<u>1,559,314</u>	<u>144,912</u>	<u>2,483,674</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	5,468,343	1,081,608	-	480,968	7,030,919
Delinquent property tax revenue not available	1,501,667	314,117	-	130,918	1,946,702
Intergovernmental revenue not available	3,816	-	-	57,041	60,857
Accrued interest not available	16,862	-	33,605	-	50,467
Miscellaneous revenue not available	2,520	-	-	116	2,636
Total deferred inflows of resources	<u>6,993,208</u>	<u>1,395,725</u>	<u>33,605</u>	<u>669,043</u>	<u>9,091,581</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory	-	-	-	2,294	2,294
Prepays	90,247	-	-	197	90,444
Restricted:					
Debt service	-	1,873,479	-	-	1,873,479
Capital improvements	-	-	13,214,639	947,129	14,161,768
Food service operations	-	-	-	149,295	149,295
State funded programs	-	-	-	542,134	542,134
Federally funded programs	-	-	-	1,499	1,499
Extracurricular	-	-	-	68,010	68,010
Other purposes	84,170	-	-	23,387	107,557
Committed:					
Extracurricular	1,000	-	-	-	1,000
Student and staff support	18,427	-	-	-	18,427
Student instruction	18,901	-	-	-	18,901
Assigned:					
Student instruction	6,187	-	-	-	6,187
Student and staff support	48,692	-	-	-	48,692
School supplies	14,800	-	-	-	14,800
Unassigned (deficit)	10,888,694	-	-	(46,481)	10,842,213
Total fund balances	<u>11,171,118</u>	<u>1,873,479</u>	<u>13,214,639</u>	<u>1,687,464</u>	<u>27,946,700</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,943,774</u>	<u>\$ 3,269,204</u>	<u>\$ 14,807,558</u>	<u>\$ 2,501,419</u>	<u>\$ 39,521,955</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

<b>Total governmental fund balances</b>		\$	27,946,700
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,741,616
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,946,702	
Accounts receivable		2,636	
Accrued interest receivable		50,467	
Intergovernmental receivable		60,857	
Total		2,060,662	2,060,662
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,231,277
Unamortized premiums on bonds issued are not recognized in the funds.			(1,609,628)
Unamortized amounts on refundings are not recognized in the funds.			60,718
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(63,316)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		1,809,802	
Deferred inflows - pension		(111,854)	
Net pension liability		(9,674,518)	
Deferred outflows - OPEB		275,967	
Deferred inflows - OPEB		(1,053,977)	
Net OPEB asset		539,414	
Net OPEB liability		(770,903)	
Total		(8,986,069)	(8,986,069)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(26,125,000)	
Lease purchase agreement obligations		(64,389)	
Compensated absences		(393,614)	
Total		(26,583,003)	(26,583,003)
<b>Net position of governmental activities</b>		\$	8,798,957

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 7,472,684	\$ 1,724,007	\$ -	\$ 661,001	\$ 9,857,692
Intergovernmental	4,899,307	115,700	-	2,161,796	7,176,803
Investment earnings	25,696	-	46,125	233	72,054
Tuition and fees	745,429	-	-	-	745,429
Extracurricular	4,997	-	-	71,314	76,311
Rental income	6	-	-	-	6
Charges for services	46,251	-	-	36,656	82,907
Contributions and donations	-	-	-	3,853	3,853
Miscellaneous	111,604	-	-	19,776	131,380
Total revenues	<u>13,305,974</u>	<u>1,839,707</u>	<u>46,125</u>	<u>2,954,629</u>	<u>18,146,435</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,308,915	-	-	390,441	3,699,356
Special	1,199,470	-	-	450,827	1,650,297
Vocational	237,146	-	-	4,176	241,322
Other	2,251,932	-	-	78,946	2,330,878
Support services:					
Pupil	454,094	-	-	104,237	558,331
Instructional staff	129,701	-	-	59,575	189,276
Board of education	18,050	-	-	-	18,050
Administration	865,820	-	-	87,459	953,279
Fiscal	372,334	12,884	9,287	10,425	404,930
Operations and maintenance	816,708	-	-	268,485	1,085,193
Pupil transportation	611,756	-	-	153,362	765,118
Central	163,427	-	-	8,152	171,579
Operation of non-instructional services:					
Food service operations	-	-	-	419,442	419,442
Other non-instructional services	33,574	-	-	8,526	42,100
Extracurricular activities	238,955	-	-	115,633	354,588
Facilities acquisition and construction	-	-	5,518,148	2,660	5,520,808
Debt service:					
Principal retirement	-	845,000	-	62,339	907,339
Interest and fiscal charges	-	829,522	-	4,173	833,695
Total expenditures	<u>10,701,882</u>	<u>1,687,406</u>	<u>5,527,435</u>	<u>2,228,858</u>	<u>20,145,581</u>
Excess of revenues over (under) expenditures	<u>2,604,092</u>	<u>152,301</u>	<u>(5,481,310)</u>	<u>725,771</u>	<u>(1,999,146)</u>
<b>Other financing sources:</b>					
Sale/loss of assets	14,109	-	-	-	14,109
Total other financing sources	<u>14,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,109</u>
Net change in fund balances	2,618,201	152,301	(5,481,310)	725,771	(1,985,037)
<b>Fund balances at beginning of year</b>	<u>8,552,917</u>	<u>1,721,178</u>	<u>18,695,949</u>	<u>961,693</u>	<u>29,931,737</u>
<b>Fund balances at end of year</b>	<u>\$ 11,171,118</u>	<u>\$ 1,873,479</u>	<u>\$ 13,214,639</u>	<u>\$ 1,687,464</u>	<u>\$ 27,946,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>(1,985,037)</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 5,151,118	
Current year depreciation	<u>(580,276)</u>	
Total		4,570,842
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(87,374)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	134,656	
Earnings on investments	(17,009)	
Classroom materials and fees	661	
Contributions and donations	91	
Miscellaneous	595	
Intergovernmental	<u>6,482</u>	
Total		125,476
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		907,339
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	51,882	
Amortization of bond premiums	82,548	
Amortization of deferred charges	<u>(4,525)</u>	
Total		129,905
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	722,749	
OPEB	<u>24,070</u>	
Total		746,819
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,043,939)	
OPEB	<u>40,762</u>	
Total		(1,003,177)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(11,632)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>155,801</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>3,548,962</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 6,750,070	\$ 7,195,003	\$ 7,195,003	\$ -
Intergovernmental	4,942,887	4,906,391	4,906,391	-
Investment earnings	168,081	127,645	116,301	(11,344)
Tuition and fees	648,500	728,203	728,172	(31)
Extracurricular	1,500	2,691	2,691	-
Rental income	1,000	6	6	-
Charges for services	47,000	46,251	46,251	-
Contributions and donations	1,000	-	-	-
Miscellaneous	25,000	104,010	104,010	-
<b>Total revenues</b>	<u>12,585,038</u>	<u>13,110,200</u>	<u>13,098,825</u>	<u>(11,375)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,863,083	3,414,739	3,413,103	1,636
Special	1,241,350	1,259,154	1,257,072	2,082
Vocational	252,569	243,194	239,030	4,164
Other	2,450,133	2,260,414	2,254,068	6,346
Support services:				
Pupil	646,916	468,615	462,763	5,852
Instructional staff	124,254	130,048	129,556	492
Board of education	14,627	18,205	18,205	-
Administration	894,164	862,067	858,955	3,112
Fiscal	424,462	374,236	373,884	352
Operations and maintenance	951,678	892,256	822,882	69,374
Pupil transportation	665,473	607,101	606,734	367
Central	180,158	164,390	163,427	963
Operation of non-instructional services:				
Other non-instructional services	33,000	33,172	33,172	-
Extracurricular activities	255,938	237,714	237,714	-
<b>Total expenditures</b>	<u>11,997,805</u>	<u>10,965,305</u>	<u>10,870,565</u>	<u>94,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>587,233</u>	<u>2,144,895</u>	<u>2,228,260</u>	<u>83,365</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	-	23,906	23,906	-
Transfers in	50,000	50,000	50,000	-
Transfers (out)	(50,000)	(50,000)	(50,000)	-
Sale of capital assets	-	14,109	14,109	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>38,015</u>	<u>38,015</u>	<u>-</u>
Net change in fund balance	587,233	2,182,910	2,266,275	83,365
<b>Fund balance at beginning of year</b>	7,398,280	7,398,280	7,398,280	-
<b>Prior year encumbrances appropriated</b>	114,188	114,188	114,188	-
<b>Fund balance at end of year</b>	<u>\$ 8,099,701</u>	<u>\$ 9,695,378</u>	<u>\$ 9,778,743</u>	<u>\$ 83,365</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash with fiscal agent	\$ 1,358,786
Total assets	<u>1,358,786</u>
<b>Liabilities:</b>	
Claims payable	<u>127,509</u>
Total liabilities	<u>127,509</u>
<b>Net position:</b>	
Unrestricted	<u>1,231,277</u>
Total net position	<u><u>\$ 1,231,277</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 1,723,999
Total operating revenues	1,723,999
<b>Operating expenses:</b>	
Claims	1,579,908
Total operating expenses	1,579,908
Operating income	144,091
<b>Nonoperating revenues:</b>	
Interest revenue	11,710
Total nonoperating revenues	11,710
Change in net position	155,801
<b>Net position at beginning of year</b>	1,075,476
<b>Net position at end of year</b>	\$ 1,231,277

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services	\$ 1,723,999
Cash payments for claims	(1,571,465)
Net cash provided by operating activities	152,534
<b>Cash flows from investing activities:</b>	
Interest received	11,710
Net cash provided by investing activities	11,710
Net increase in cash and cash equivalents	164,244
<b>Cash and cash equivalents at beginning of year</b>	1,194,542
<b>Cash and cash equivalents at end of year</b>	\$ 1,358,786
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 144,091
Changes in assets and liabilities:	
Increase in claims payable	8,443
Net cash provided by operating activities	\$ 152,534

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

East Knox Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected, five-member Board. The Board controls the Local District staffed by 64 certified teaching personnel, 39 non-certified support personnel and 7 administrative personnel to provide services to approximately 1,182 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

*JOINTLY GOVERNED ORGANIZATION*

META Solutions

The District is a participant in the META Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and Metropolitan Educational Council (MEC). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2021, the District paid META Solutions \$17,436 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*INSURANCE PURCHASING POOLS*

Sheakley Worker's Compensation Group Rating Plan

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

Ohio School Plan

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

The Jefferson Health Plan

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

*PROPRIETARY FUNDS*

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

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and prescription drug benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District does not have any fiduciary funds.

**C. Basis of Presentation - Fund Accounting and Measurement Focus**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities that are governmental and those that are considered business-type activities. The District has no business-type activities. The internal service fund operating activities are eliminated to avoid overstatement of revenues and expenses.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 11 and 12 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 11 and 12 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

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

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

**F. Cash and Investments**

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

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

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$25,696, which includes \$4,107 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. The District did not have any interfund loans at fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2021, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2021 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Prepayments**

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**M. Fund Balance**

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

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

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

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

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

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

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the rotary fund.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**O. Estimates**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2021, neither type of transaction occurred.

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

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

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 8.

**R. Pensions/Other Postemployment Benefits (OPEB)**

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

**S. Fair Value**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**T. Interfund Activity**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Deficit Fund Balances**

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Elementary and Secondary School Emergency Relief	\$ 13,099
Title I - Disadvantaged Children	33,382

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

As of June 30, 2021, the District had \$350 in undeposited cash on hand which is included in the fund balance, but is not included in deposits.

**B. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2021 was \$1,358,786. This amount is not included in the “deposits” or “investments” reported below.

**C. Deposits**

At June 30, 2021, the carrying amount of all District deposits was \$4,587,575. Of the \$4,708,325 bank balance, \$4,591,091 was covered by the FDIC and \$117,234 was exposed to custodial credit risk because this amount was uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2021, the District’s financial institutions did not participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2021, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Negotiable CD's	\$ 10,085,504	\$ 4,457,444	\$ 2,894,368	\$ 485,091	\$ 755,686	\$ 1,492,915
FFCB	1,842,540	-	1,003,761	-	169,635	669,144
FNMA	896,984	-	151,469	-	-	745,515
FHLB	2,266,806	503,700	511,141	-	-	1,251,965
FHLMC	463,047	-	-	214,832	-	248,215
U.S. Treasury Notes	3,208,033	-	1,035,137	1,993,881	-	179,015
U.S. Government money market	50,167	50,167	-	-	-	-
Municipal bonds	245,071	-	245,071	-	-	-
Commercial paper	1,479,220	1,149,550	329,670	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>2,643,779</u>	<u>2,643,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 23,181,151</u>	<u>\$ 8,804,640</u>	<u>\$ 6,170,617</u>	<u>\$ 2,693,804</u>	<u>\$ 925,321</u>	<u>\$ 4,586,769</u>

The weighted average maturity of the District's investments is 1.12 years.

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

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CD's	\$ 10,085,504	43.50
FFCB	1,842,540	7.95
FNMA	896,984	3.87
FHLB	2,266,806	9.78
FHLMC	463,047	2.00
U.S. Treasury Notes	3,208,033	13.84
U.S. Government money market	50,167	0.22
Municipal bonds	245,071	1.06
Commercial paper	1,479,220	6.38
<i>Amortized Cost:</i>		
STAR Ohio	<u>2,643,779</u>	<u>11.40</u>
Total	<u>\$ 23,181,151</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,587,575
Cash with fiscal agent	1,358,786
Investments	23,181,151
Cash on hand	<u>350</u>
Total	<u>\$ 29,127,862</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	<u>\$ 29,127,862</u>

**NOTE 5 - PROPERTY TAXES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 5 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Knox, Coshocton and Licking Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available as an advance at June 30, 2021 was \$1,852,867 in the general fund, \$444,359 in the bond retirement fund and \$159,542 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$1,575,186 in the general fund, \$417,110 in the bond retirement fund and \$155,153 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2021 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 289,654,528	96.41	\$ 346,506,015	96.74
Public utility personal	<u>10,778,950</u>	<u>3.59</u>	<u>11,661,240</u>	<u>3.26</u>
Total	<u>\$ 300,433,478</u>	<u>100.00</u>	<u>\$ 358,167,255</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$48.08		\$46.73	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2021 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 11,434,389
Accounts	7,166
Accrued interest	72,684
Intergovernmental	<u>142,141</u>
Total	<u>\$ 11,656,380</u>

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

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance 06/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/21</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 243,950	\$ -	\$ -	\$ 243,950
Construction in progress	<u>511,365</u>	<u>4,950,031</u>	<u>(85,000)</u>	<u>5,376,396</u>
Total capital assets, not being depreciated	<u>755,315</u>	<u>4,950,031</u>	<u>(85,000)</u>	<u>5,620,346</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,250,656	17,088	-	1,267,744
Buildings and improvements	14,562,672	101,900	(972,754)	13,691,818
Furniture and equipment	2,138,934	72,902	(91,766)	2,120,070
Vehicles	<u>1,264,456</u>	<u>94,197</u>	<u>(67,000)</u>	<u>1,291,653</u>
Total capital assets, being depreciated	<u>19,216,718</u>	<u>286,087</u>	<u>(1,131,520)</u>	<u>18,371,285</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(899,126)	(56,598)	-	(955,724)
Buildings and improvements	(6,393,935)	(352,579)	916,745	(5,829,769)
Furniture and equipment	(1,728,811)	(71,026)	67,101	(1,732,736)
Vehicles	<u>(692,013)</u>	<u>(100,073)</u>	<u>60,300</u>	<u>(731,786)</u>
Total accumulated depreciation	<u>(9,713,885)</u>	<u>(580,276)</u>	<u>1,044,146</u>	<u>(9,250,015)</u>
Governmental activities capital assets, net	<u>\$ 10,258,148</u>	<u>\$ 4,655,842</u>	<u>\$ (172,374)</u>	<u>\$ 14,741,616</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 261,101
Special	16,340
Vocational	2,336
<u>Support services:</u>	
Instructional staff	2,977
Administration	28,865
Fiscal	2,523
Operations and maintenance	56,215
Pupil transportation	114,582
Central	5,807
Extracurricular activities	21,825
<u>Operation of non-instructional services:</u>	
Food service operations	67,705
Total depreciation expense	\$ 580,276

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2021, the following changes occurred in governmental activities' long-term obligations.

	Balance Outstanding June 30, 2020	Additions	Deductions	Balance Outstanding June 30, 2021	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Series 2016, Refunding					
Serial 3%-4% \$7,885,000	\$ 6,730,000	\$ -	\$ (415,000)	\$ 6,315,000	\$ 425,000
Term 3.25% \$1,000,000	1,000,000	-	-	1,000,000	-
School Facilities Construction and Improvement Bonds - Series 2014					
Term 3.25%-5.5% \$750,000	665,000	-	(60,000)	605,000	65,000
School Facilities Construction and Improvement Bonds - Series 2020A					
Serial 1.5%-4.0% \$4,275,000	4,275,000	-	(75,000)	4,200,000	75,000
Term 3.0% \$5,225,000	5,225,000	-	-	5,225,000	-
School Facilities Construction and Improvement Bonds - Series 2020B					
Serial 1.5%-4.0% \$4,355,000	4,355,000	-	(295,000)	4,060,000	475,000
Term 2.0%-3.0% \$4,720,000	4,720,000	-	-	4,720,000	-
<u>Other long-term obligations:</u>					
Compensated Absences	421,363	110,767	(108,818)	423,312	29,698
Lease Purchase Agreements - direct borrowings	126,728	-	(62,339)	64,389	64,389
Net Pension Liability	8,842,612	831,906	-	9,674,518	-
Net OPEB Liability	885,882	-	(114,979)	770,903	-
Total governmental activities	\$ 37,246,585	\$ 942,673	\$ (1,131,136)	37,058,122	\$ 1,134,087
Add: unamortized premium				1,609,628	
Total on statement of net position				\$ 38,667,750	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Net Pension Liability: The District's net pension liability is described in Note 11. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

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

Lease Purchase Agreements: See Note 9 for detail on the District's lease purchase agreements.

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

This issue is comprised of serial bonds, present value \$6,315,000 and term bonds present value \$1,000,000 at June 30, 2021. The interest rates on the bonds range from 3.00% - 4.00%. Payments on the bonds are due June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2034.

The term bonds maturing on December 1, 2027 shall be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
2026	\$ 490,000

The remaining principal amount of such term bonds (\$510,00) shall mature at stated maturity on December 1, 2027.

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

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

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

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
November 1, 2043	\$ 305,000

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

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
November 1, 2045	\$ 325,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

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

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

At June 30, 2021, the District had \$12,761,023 in unspent bond proceeds related to the Series 2020A and 2020B general obligation bonds.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

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

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

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

At June 30, 2021, the District had \$12,220,304 in unspent bond proceeds related to the Series 2020A and 2020B general obligation bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** The annual requirement to amortize all bonds outstanding as of June 30, 2021 is as follows:

Fiscal Year	Current Interest, Serial and Term Bonds		
	Principal	Interest	Total
2022	\$ 1,040,000	\$ 780,959	\$ 1,820,959
2023	1,075,000	752,694	1,827,694
2024	1,100,000	729,474	1,829,474
2025	1,125,000	696,505	1,821,505
2026	1,165,000	656,018	1,821,018
2027 - 2031	4,865,000	2,768,257	7,633,257
2032 - 2036	4,750,000	1,848,947	6,598,947
2037 - 2041	2,565,000	1,366,644	3,931,644
2042 - 2046	2,910,000	1,013,924	3,923,924
2047 - 2051	3,025,000	570,127	3,595,127
2052 - 2056	2,055,000	225,375	2,280,375
2057	450,000	6,742	456,742
Total	<u>\$ 26,125,000</u>	<u>\$ 11,415,666</u>	<u>\$ 37,540,666</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$7,983,532 (including available funds of \$1,873,479) and an unvoted debt margin of \$358,167.

**NOTE 9 - LEASE PURCHASE AGREEMENTS**

- A.** During a prior fiscal year, the District entered into a lease-purchase agreement, in the amount of \$52,404, with Hewlett Packard Financial Services to finance multiple copiers and copier equipment. The annual payments are made from the permanent improvement fund (a nonmajor governmental fund). At June 30, 2021, the District had outstanding borrowings of \$13,371. Capital assets consisting of furniture and equipment has been recorded in the amount of \$21,801. A corresponding liability is recorded on the statement of net position. Accumulated depreciation as of June 30, 2021 was \$17,441, leaving a current book value of \$4,360. The remaining \$30,603 in proceeds related to items that were below the capitalization threshold and therefore were not capitalized. This is a direct borrowing collateralized by the copier equipment.
- B.** During a prior fiscal year, the District entered into a lease-purchase agreement, in the amount of \$200,137, with Hewlett Packard Financial Services to finance the cost of MacBooks, iPads, HP laptops, and other Apple and HP computer equipment. The annual payments are made from the permanent improvement fund (a nonmajor governmental fund). At June 30, 2021, the District had outstanding borrowings of \$51,018. The equipment was individually under the District's capitalization threshold. Therefore, no items were capitalized. This is a direct borrowing collateralized by the computer equipment.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 9 - LEASE PURCHASE AGREEMENTS - (Continued)**

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

Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 64,389	\$ 2,121	\$ 66,510

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For July 1, 2020 through June 30, 2021, the District contracted with Ohio School Plan and Hylant Administrative Services for property and general liability coverage. There was a \$1,000 deductible and \$39,252,787 limit.

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

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

Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in amounts of insurance coverage from the prior fiscal year.

The property limit for the period July 1, 2021-June 30, 2022 has been reduced to \$30,570,187 due to demolition of a large portion of the JR/High Building and new construction being in progress.

**B. Workers' Compensation**

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

**C. Employee Group Medical/Surgical and Prescription Insurance**

Medical/surgical insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 50 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$127,509 reported in the internal service fund at June 30, 2021 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2021	\$ 119,066	\$ 1,579,908	\$ (1,571,465)	\$ 127,509
2020	182,040	1,351,349	(1,414,323)	119,066

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

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

*Net Pension Liability/Net OPEB Liability/Asset*

Pensions and 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 net pension/OPEB liability (asset) represent the 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 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 healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$170,403 for fiscal year 2021. Of this amount, \$15,511 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$552,346 for fiscal year 2021. Of this amount, \$100,128 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03427900%	0.03071139%	
Proportion of the net pension liability current measurement date	<u>0.03398920%</u>	<u>0.03069212%</u>	
Change in proportionate share	<u>-0.00028980%</u>	<u>-0.00001927%</u>	
Proportionate share of the net pension liability	\$ 2,248,117	\$ 7,426,401	\$ 9,674,518
Pension expense	\$ 210,756	\$ 833,183	\$ 1,043,939

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 4,368	\$ 16,662	\$ 21,030
Net difference between projected and actual earnings on pension plan investments	142,712	361,148	503,860
Changes of assumptions	-	398,655	398,655
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	163,508	163,508
Contributions subsequent to the measurement date	<u>170,403</u>	<u>552,346</u>	<u>722,749</u>
Total deferred outflows of resources	<u>\$ 317,483</u>	<u>\$ 1,492,319</u>	<u>\$ 1,809,802</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 47,485	\$ 47,485
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>17,505</u>	<u>46,864</u>	<u>64,369</u>
Total deferred inflows of resources	<u>\$ 17,505</u>	<u>\$ 94,349</u>	<u>\$ 111,854</u>

\$722,749 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (13,551)	\$ 279,942	\$ 266,391
2023	38,960	186,786	225,746
2024	59,482	218,053	277,535
2025	44,684	160,843	205,527
Total	\$ 129,575	\$ 845,624	\$ 975,199

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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

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

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 3,079,646	\$ 2,248,117	\$ 1,550,449

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the June 30, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 10,573,902	\$ 7,426,401	\$ 4,759,156

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 11 for a description of the net OPEB liability (asset).

**Plan Description - School Employees Retirement System (SERS)**

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$24,070.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$24,070 for fiscal year 2021. Of this amount, \$24,070 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03522690%	0.03071139%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03547110%</u>	<u>0.03069212%</u>	
Change in proportionate share	<u>0.00024420%</u>	<u>-0.00001927%</u>	
Proportionate share of the net OPEB liability	\$ 770,903	\$ -	\$ 770,903
Proportionate share of the net OPEB asset	\$ -	\$ (539,414)	\$ (539,414)
OPEB expense	\$ (13,381)	\$ (27,381)	\$ (40,762)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 10,126	\$ 34,564	\$ 44,690
Net difference between projected and actual earnings on OPEB plan investments	8,685	18,906	27,591
Changes of assumptions	131,412	8,904	140,316
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	2,073	37,227	39,300
Contributions subsequent to the measurement date	<u>24,070</u>	<u>-</u>	<u>24,070</u>
Total deferred outflows of resources	<u>\$ 176,366</u>	<u>\$ 99,601</u>	<u>\$ 275,967</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 392,059	\$ 107,445	\$ 499,504
Changes of assumptions	19,418	512,354	531,772
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>9,010</u>	<u>13,691</u>	<u>22,701</u>
Total deferred inflows of resources	<u>\$ 420,487</u>	<u>\$ 633,490</u>	<u>\$ 1,053,977</u>

\$24,070 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (54,425)	\$ (134,598)	\$ (189,023)
2023	(53,799)	(121,801)	(175,600)
2024	(53,899)	(117,313)	(171,212)
2025	(52,587)	(109,985)	(162,572)
2026	(39,696)	(24,114)	(63,810)
Thereafter	(13,785)	(26,078)	(39,863)
Total	\$ (268,191)	\$ (533,889)	\$ (802,080)

***Actuarial Assumptions - SERS***

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - 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, 2020 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 943,566	\$ 770,903

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 607,028	\$ 770,903

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - 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 July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2019.

***Benefit Term Changes Since the Prior Measurement Date*** - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 469,325	\$ 539,414

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 595,190	\$ 539,414

**NOTE 13 – OPERATING LEASE**

The District is obligated under certain leases that are required to be accounted for as operating leases. During 2020, the District signed a lease agreement with Aries Building Systems, LLC. for modular classroom units. The term of the lease is 19 months and the corresponding monthly payment is \$16,176. The payments commenced December 2019 and are being made from the building fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ 2,266,275
Net adjustment for revenue accruals	181,660
Net adjustment for expenditure accruals	134,894
Net adjustment for other sources/uses	(23,906)
Funds budgeted elsewhere	(5,352)
Adjustment for encumbrances	<u>64,630</u>
GAAP basis	<u>\$ 2,618,201</u>

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is not involved in any material litigation as either plaintiff or defendant.

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 16 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	172,338
Current year offsets	(747,280)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (574,942)</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

During prior fiscal years, the District issued \$27,484,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$26,297,204 at June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 17 - COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 51,408
Building fund	12,993,122
Other governmental	<u>590,767</u>
 Total	 <u>\$ 13,635,297</u>

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2021, the District had the following contractual commitments outstanding related to school improvement projects. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2021</u>	<u>Remaining Amount</u>
Fanning/Howey	\$ 1,097,531	\$ 828,636	\$ 268,895
Resource International	105,176	69,812	35,364
The Brewer Garret Co	101,262	21,181	80,081
Elford	<u>16,336,410</u>	<u>2,627,044</u>	<u>13,709,366</u>
Total	<u>\$ 17,640,379</u>	<u>\$ 3,546,673</u>	<u>\$ 14,093,706</u>

**NOTE 19 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District’s investment portfolio and the pension and other employee benefits plan in which the District participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 20 - SUBSEQUENT EVENT**

For fiscal year 2022, District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$1,887,821 in revenue and expenditures/expense related to these programs. Also, during fiscal year 2021, the District reported \$584,828 in tuition and fees from the resident school districts which will be direct funded to the District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each District. The District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.03398920%	0.03427900%	0.03496150%	0.03464790%
District's proportionate share of the net pension liability	\$ 2,248,117	\$ 2,050,973	\$ 2,002,310	\$ 2,070,135
District's covered payroll	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.39%	169.17%	176.63%	177.31%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.03732190%	0.04315740%	0.04755800%	0.04755800%
\$ 2,731,619	\$ 2,462,603	\$ 2,406,883	\$ 2,828,122
\$ 1,142,721	\$ 1,299,241	\$ 1,381,941	\$ 1,406,712
239.05%	189.54%	174.17%	201.04%
62.98%	69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.03069212%	0.03071139%	0.03019292%	0.02873066%
District's proportionate share of the net pension liability	\$ 7,426,401	\$ 6,791,639	\$ 6,638,745	\$ 6,825,030
District's covered payroll	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950
District's proportionate share of the net pension liability as a percentage of its covered payroll	198.38%	186.86%	184.95%	212.55%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.02932684%	0.03183266%	0.03391000%	0.03391000%
\$ 9,816,577	\$ 8,797,616	\$ 8,248,154	\$ 9,825,147
\$ 3,156,643	\$ 3,487,729	\$ 3,464,692	\$ 3,994,431
310.98%	252.24%	238.06%	245.97%
66.80%	72.10%	74.70%	69.30%



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 170,403	\$ 166,188	\$ 163,674	\$ 153,042
Contributions in relation to the contractually required contribution	(170,403)	(166,188)	(163,674)	(153,042)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,217,164	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 163,456	\$ 159,981	\$ 171,240	\$ 191,537	\$ 194,689	\$ 185,996
<u>(163,456)</u>	<u>(159,981)</u>	<u>(171,240)</u>	<u>(191,537)</u>	<u>(194,689)</u>	<u>(185,996)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,167,543	\$ 1,142,721	\$ 1,299,241	\$ 1,381,941	\$ 1,406,712	\$ 1,382,870
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 552,346	\$ 524,104	\$ 508,843	\$ 502,523
Contributions in relation to the contractually required contribution	<u>(552,346)</u>	<u>(524,104)</u>	<u>(508,843)</u>	<u>(502,523)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,945,329	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 449,533	\$ 441,930	\$ 488,282	\$ 450,410	\$ 519,276	\$ 531,956
<u>(449,533)</u>	<u>(441,930)</u>	<u>(488,282)</u>	<u>(450,410)</u>	<u>(519,276)</u>	<u>(531,956)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,210,950	\$ 3,156,643	\$ 3,487,729	\$ 3,464,692	\$ 3,994,431	\$ 4,091,969
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03547110%	0.03522690%	0.03550150%	0.03532030%	0.03776495%
District's proportionate share of the net OPEB liability	\$ 770,903	\$ 885,882	\$ 984,908	\$ 947,904	\$ 1,076,441
District's covered payroll	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644	\$ 1,167,543	\$ 1,142,721
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.94%	73.07%	86.88%	81.19%	94.20%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03069212%	0.03071139%	0.03019292%	0.02873066%	0.02932684%
District's proportionate share of the net OPEB liability/(asset)	\$ (539,414)	\$ (508,654)	\$ (485,169)	\$ 1,120,964	\$ 1,568,407
District's covered payroll	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450	\$ 3,210,950	\$ 3,156,643
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.41%	13.99%	13.52%	34.91%	49.69%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 24,070	\$ 23,736	\$ 28,021	\$ 24,994
Contributions in relation to the contractually required contribution	(24,070)	(23,736)	(28,021)	(24,994)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,217,164	\$ 1,187,057	\$ 1,212,400	\$ 1,133,644
Contributions as a percentage of covered payroll	1.98%	2.00%	2.31%	2.20%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 19,994	\$ 18,866	\$ 34,578	\$ 27,005	\$ 18,953	\$ 30,967
<u>(19,994)</u>	<u>(18,866)</u>	<u>(34,578)</u>	<u>(27,005)</u>	<u>(18,953)</u>	<u>(30,967)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,167,543	\$ 1,142,721	\$ 1,299,241	\$ 1,381,941	\$ 1,406,712	\$ 1,382,870
1.71%	1.65%	2.66%	1.95%	1.35%	2.24%



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,945,329	\$ 3,743,600	\$ 3,634,593	\$ 3,589,450
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 34,647	\$ 39,944	\$ 40,920
-	-	-	(34,647)	(39,944)	(40,920)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,210,950	\$ 3,156,643	\$ 3,487,729	\$ 3,464,692	\$ 3,994,431	\$ 4,091,969
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

---

PENSION

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2021.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021.

---

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

---

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

---

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021. For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

## **SUPPLEMENTARY INFORMATION**

EAST KNOX LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	TOTAL EXPENDITURES OF FEDERAL AWARDS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	2021	\$ 125,057
COVID-19 - School Breakfast Program	10.553	COVID-19, 2021	20,565
<b>Total National School Breakfast Program</b>			<u>145,622</u>
National School Lunch Program	10.555	2021	259,011
COVID-19 - National Lunch Program	10.555	COVID-19, 2021	31,218
National School Lunch Program - Food Donation	10.555	2021	36,235
<b>Total National School Lunch Program</b>			<u>326,464</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>472,086</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Passed Through the Ohio Department of Education</i>			
COVID-19 - Coronavirus Relief Fund - Rural and Small Town School Districts	21.019	COVID-19, 2021	57,688
<i>Passed Through Clay Township</i>			
COVID-19 - Coronavirus Relief Fund	21.019	COVID-19, 2021	10,464
<b>Total U.S. Department of Treasury and Coronavirus Relief Fund</b>			<u>68,152</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2020	47,282
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2021	303,150
<b>Total Title I Grants to Local Educational Agencies</b>			<u>350,432</u>
<b>Special Education Cluster (IDEA):</b>			
Special Education-Grants to States	84.027	2020	13,837
Special Education-Grants to States	84.027A	84.027A, 2021	222,029
<b>Total Special Education-Grants to States and Special Education Cluster (IDEA)</b>			<u>235,866</u>
Student Support and Academic Enrichment Program	84.424A	84.424A, 2021	21,244
Supporting Effective Instruction State Grants	84.367A	84.367A, 2021	49,731
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19, 84.425D, 2021	246,939
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	106,135
<b>Total Education Stabilization Fund (ESF)</b>			<u>353,074</u>
<b>Total U.S. Department of Education</b>			<u>1,010,347</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,550,585</u>

The accompanying notes are an integral part of this schedule

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the East Knox Local School District, Knox County, Ohio (the “District”) under programs of the federal government for the fiscal year ended June 30, 2021 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

**NOTE 2 – DE MINIMIS COST RATE**

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – CHILD NUTRITION CLUSTER**

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

**NOTE 4 – FOOD DONATION PROGRAM**

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

**NOTE 5 – PASS THROUGH FUNDS**

The East Knox Local School District was awarded federal program allocations to be administered on their behalf by area Educational Service Centers (ESC). For 2021, East Knox Local School District’s allocation was as follows:

- IDEA Early Childhood Special Education (ALN 84.173A; Knox County ESC) \$8,739

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Knox Local School District, Knox County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the East Knox Local School District's basic financial statements, and have issued our report thereon dated November 12, 2021, wherein we noted as described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control Over Financial Reporting***

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

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

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



***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
November 12, 2021

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

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

To the Members of the Board of Education:

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

We have audited the East Knox Local School District’s compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the East Knox Local School District’s major federal programs for the fiscal year ended June 30, 2021. The East Knox Local School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the East Knox Local School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the East Knox Local School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the East Knox Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

**Report on Internal Control over Compliance**

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

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

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

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



Julian & Grube, Inc.  
November 12, 2021

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Education Stabilization Fund; ALN #84.425D
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

# OHIO AUDITOR OF STATE KEITH FABER



**EAST KNOX LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/8/2022**

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](http://www.ohioauditor.gov)