



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2021**

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CLERMONT COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT

Felicity Franklin Local School District  
Clermont County  
105 Market Street  
Felicity, Ohio 45120

To the Board of Education:

### ***Report on the Financial Statements***

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

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

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
August 25, 2022

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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

The management's discussion and analysis of the Felicity-Franklin 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 decreased \$553,051 from 2020's net position.
- General revenues accounted for \$9,879,202 in revenue or 77.09% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,935,986 or 22.91% of total revenues of \$12,815,188.
- The District had \$13,368,239 in expenses related to governmental activities; \$2,935,986 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,879,202 was not adequate to provide for these programs.
- The District has one major governmental fund: the general fund. The general fund had \$11,017,211 in revenues and other financing sources and \$10,995,603 in expenditures and other financing uses. During fiscal year 2021, the general fund's fund balance increased \$21,608 from \$4,791,016 to \$4,812,624.

**Using the 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 is the only governmental fund reported as a major fund.

**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 statement of activities answer this question. These statements include all *assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

These two statements report the District's net position and changes in that 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 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 17-18 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 13. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the general 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 statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

***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 23-58 of this report.

***Required Supplementary Information***

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability and net OPEB liability/asset of the retirement systems and a ten year schedule of Districts contributions to the retirement systems to fund pension and OPEB obligations. It also includes budget versus actual schedule for the general fund. The required supplementary information can be found on pages 60-77 of this report.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**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<br>Activities<br><u>2021</u> | Governmental<br>Activities<br><u>2020</u> |
| <b><u>Assets</u></b>                         |   |   |
| Current and other assets                     | \$ 8,056,934                              | \$ 8,497,460                              |
| Net OPEB asset                               | 655,090                                   | 643,536                                   |
| Capital assets, net                          | <u>12,007,657</u>                         | <u>12,317,268</u>                         |
| Total assets                                 | <u>20,719,681</u>                         | <u>21,458,264</u>                         |
| <b><u>Deferred Outflows of Resources</u></b> |   |   |
| Pension                                      | 2,033,129                                 | 2,143,067                                 |
| OPEB   | <u>297,396</u>                            | <u>233,125</u>                            |
| Total deferred outflows of resources         | <u>2,330,525</u>                          | <u>2,376,192</u>                          |
| <b><u>Liabilities</u></b>                    |   |   |
| Current liabilities                          | 945,515                                   | 760,541                                   |
| Long-term liabilities:                       |   |   |
| Due within one year                          | 109,202                                   | 195,588                                   |
| Due in more than one year:                   |   |   |
| Net pension liability                        | 11,462,574                                | 10,976,965                                |
| Net OPEB liability                           | 833,904                                   | 1,027,035                                 |
| Other amounts                                | <u>319,807</u>                            | <u>912,552</u>                            |
| Total liabilities                            | <u>13,671,002</u>                         | <u>13,872,681</u>                         |
| <b><u>Deferred Inflows of Resources</u></b>  |   |   |
| Property taxes levied for next year          | 1,715,003                                 | 1,619,258                                 |
| Pensions                                     | 588,137                                   | 877,631                                   |
| OPEB   | <u>1,359,823</u>                          | <u>1,195,594</u>                          |
| Total deferred inflows of resources          | <u>3,662,963</u>                          | <u>3,692,483</u>                          |
| <b><u>Net Position</u></b>                   |   |   |
| Net investment in capital assets             | 12,007,657                                | 11,541,290                                |
| Restricted                                   | 176,689                                   | 1,125,671                                 |
| Unrestricted (deficit)                       | <u>(6,468,105)</u>                        | <u>(6,397,669)</u>                        |
| Total net position                           | <u>\$ 5,716,241</u>                       | <u>\$ 6,269,292</u>                       |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and the net OPEB liability/asset is reported pursuant to 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 and net OPEB asset.

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/asset*. 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/asset. 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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/asset, respectively, not accounted for as deferred inflows/outflows.

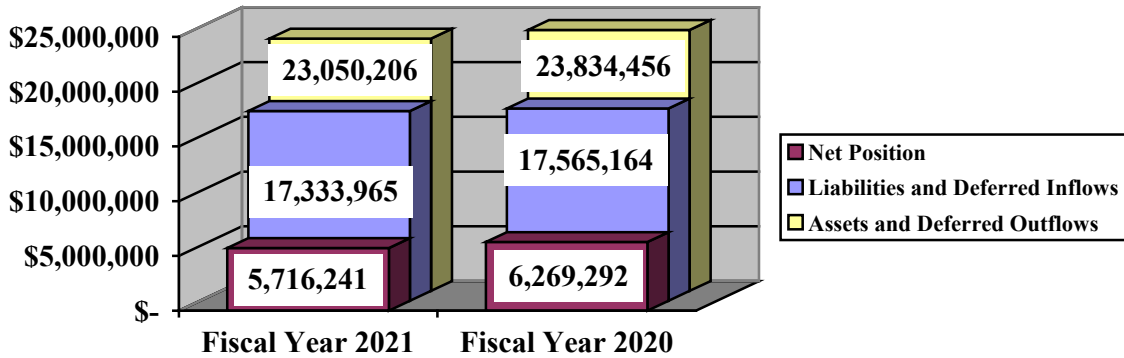
At June 30, 2021, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,716,241.

At year-end, capital assets represented 57.95% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2021, was \$12,007,657. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District’s net position, \$176,689 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$6,468,105.

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

**Governmental Activities**



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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

|  | <b>Change in Net Position</b>      |                                    |
|--|------------------------------------|------------------------------------|
|  | Governmental<br>Activities<br>2021 | Governmental<br>Activities<br>2020 |
| <b><u>Revenues</u></b>                   |                                    |                                    |
| Program revenues:                        |                                    |                                    |
| Charges for services and sales           | \$ 593,140                         | \$ 835,807                         |
| Operating grants and contributions       | 2,342,846                          | 1,663,153                          |
| General revenues:                        |                                    |                                    |
| Property taxes                           | 1,687,048                          | 2,087,320                          |
| Grants and entitlements                  | 8,099,774                          | 7,445,908                          |
| Investment earnings                      | 9,311                              | 105,040                            |
| Miscellaneous                            | 83,069                             | 27,014                             |
| Total revenues                           | <u>12,815,188</u>                  | <u>12,164,242</u>                  |
| <b><u>Expenses</u></b>                   |                                    |                                    |
| Program expenses:                        |                                    |                                    |
| Instruction:                             |                                    |                                    |
| Regular                                  | 5,401,646                          | 5,104,430                          |
| Special                                  | 2,615,711                          | 2,582,786                          |
| Vocational                               | 362,140                            | 391,862                            |
| Other                                    | 128,370                            | 139,217                            |
| Support services:                        |                                    |                                    |
| Pupil                                    | 440,952                            | 328,971                            |
| Instructional staff                      | 448,970                            | 447,973                            |
| Board of education                       | 16,699                             | 20,516                             |
| Administration                           | 910,982                            | 945,630                            |
| Fiscal                                   | 335,204                            | 374,845                            |
| Business                                 | 7,641                              | 10,195                             |
| Operations and maintenance               | 1,235,210                          | 1,224,049                          |
| Pupil transportation                     | 581,856                            | 598,977                            |
| Central                                  | 35,656                             | 38,822                             |
| Operation of non-instructional services: |                                    |                                    |
| Food service operations                  | 522,521                            | 530,263                            |
| Other non-instructional services         | 17,749                             | 5,821                              |
| Extracurricular activities               | 300,199                            | 306,117                            |
| Interest and fiscal charges              | 6,733                              | 17,608                             |
| Total expenses                           | <u>13,368,239</u>                  | <u>13,068,082</u>                  |
| Change in net position                   | (553,051)                          | (903,840)                          |
| Net position at beginning of year        | <u>6,269,292</u>                   | <u>7,173,132</u>                   |
| Net position at end of year              | <u>\$ 5,716,241</u>                | <u>\$ 6,269,292</u>                |

**Governmental Activities**

Net position of the District's governmental activities decreased \$553,051. Total governmental expenses of \$13,368,239 were offset by program revenues of \$2,935,986 and general revenues of \$9,879,202. Program revenues supported 21.96% of the total governmental expenses.

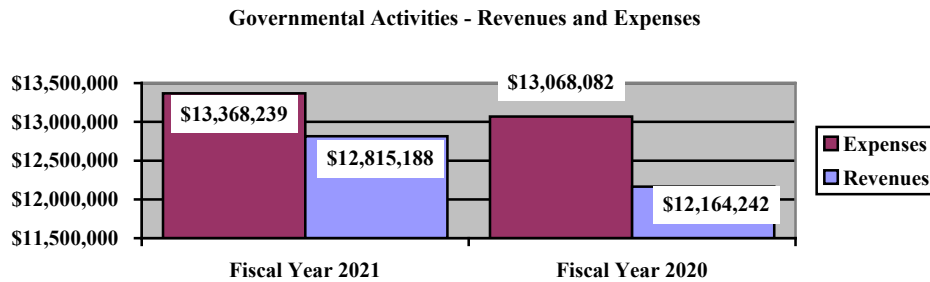
**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

Overall, expenses of the governmental activities increased \$300,157 or 2.30%. This increase is partially a result of an overall increase in employee wages and benefits costs. In addition, the District had additional expenses related to COVID-19 costs during the year.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted and restricted grants and entitlements from the State of Ohio. These revenue sources represent 76.37% of total governmental revenue. Real estate property is reappraised every six years. The decrease in property tax revenue for fiscal year 2021 was due to fluctuations in the amount of tax advance available from the Clermont County Auditor at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2021, 2020, and 2019 were \$158,172, \$375,915, and \$698,501, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Clermont County. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year. Other significant changes in revenues include increases in operating grants and contributions and grants and entitlements general revenues. The former is a result of additional Federal grants available through the CARES Act funding in response to the COVID-19 pandemic, while the latter is a result of additional State Foundation funding.

The graph below presents the governmental activities revenue and expenses for fiscal years 2021 and 2020.



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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

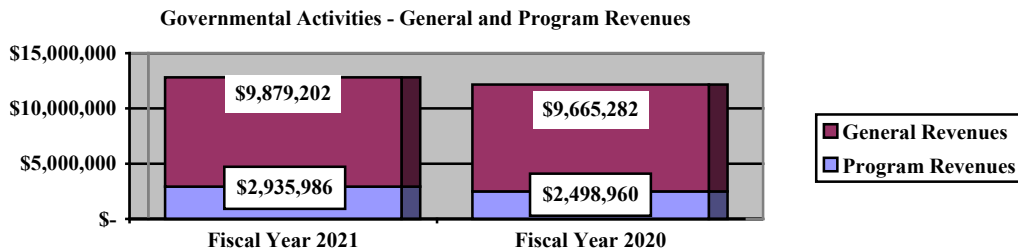
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

**Governmental Activities**

|  | Total Cost of<br>Services<br>2021 | Net Cost of<br>Services<br>2021 | Total Cost of<br>Services<br>2020 | Net Cost of<br>Services<br>2020 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Program expenses</b>                  |                                   |                                 |                                   |                                 |
| Instruction:                             |                                   |                                 |                                   |                                 |
| Regular                                  | \$ 5,401,646                      | \$ 4,650,810                    | \$ 5,104,430                      | \$ 4,592,309                    |
| Special                                  | 2,615,711                         | 1,491,656                       | 2,582,786                         | 1,445,963                       |
| Vocational                               | 362,140                           | 269,178                         | 391,862                           | 303,890                         |
| Other                                    | 128,370                           | 123,733                         | 139,217                           | 138,138                         |
| Support services:                        |                                   |                                 |                                   |                                 |
| Pupil                                    | 440,952                           | 265,216                         | 328,971                           | 242,016                         |
| Instructional staff                      | 448,970                           | 419,093                         | 447,973                           | 438,636                         |
| Board of education                       | 16,699                            | 16,699                          | 20,516                            | 20,516                          |
| Administration                           | 910,982                           | 906,561                         | 945,630                           | 945,630                         |
| Fiscal                                   | 335,204                           | 335,204                         | 374,845                           | 374,845                         |
| Business                                 | 7,641                             | 7,641                           | 10,195                            | 10,195                          |
| Operations and maintenance               | 1,235,210                         | 1,109,134                       | 1,224,049                         | 1,137,961                       |
| Pupil transportation                     | 581,856                           | 482,607                         | 598,977                           | 543,563                         |
| Central                                  | 35,656                            | 26,865                          | 38,822                            | 38,822                          |
| Operation of non-instructional services: |                                   |                                 |                                   |                                 |
| Food service operations                  | 522,521                           | 117,488                         | 530,263                           | 155,239                         |
| Other non-instructional services         | 17,749                            | 10,373                          | 5,821                             | (88)                            |
| Extracurricular activities               | 300,199                           | 193,262                         | 306,117                           | 163,879                         |
| Interest and fiscal charges              | 6,733                             | 6,733                           | 17,608                            | 17,608                          |
| <b>Total expenses</b>                    | <b>\$ 13,368,239</b>              | <b>\$ 10,432,253</b>            | <b>\$ 13,068,082</b>              | <b>\$ 10,569,122</b>            |

The dependence upon tax and other general revenues for governmental activities is apparent; 76.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.04%.

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





**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,209,132, which is less than last year's fund balance of \$5,998,753. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

|                       | Fund Balance<br><u>June 30, 2021</u> | Fund Balance<br><u>June 30, 2020</u> | <u>Change</u>       | <u>Percentage<br/>Change</u> |
|-----------------------|--------------------------------------|--------------------------------------|---------------------|------------------------------|
| General               | \$ 4,812,624                         | \$ 4,791,016                         | \$ 21,608           | 0.45 %                       |
| Nonmajor Governmental | <u>396,508</u>                       | <u>1,207,737</u>                     | <u>(811,229)</u>    | (67.17) %                    |
| Total                 | <u>\$ 5,209,132</u>                  | <u>\$ 5,998,753</u>                  | <u>\$ (789,621)</u> | (13.16) %                    |

**General Fund**

The District's general fund balance increased \$21,608. The following table assists in illustrating the financial activities and change in fund balance of the general fund.

|                                | <u>2021<br/>Amount</u> | <u>2020<br/>Amount</u> | <u>Net Change</u> | <u>Percentage<br/>Change</u> |
|--------------------------------|------------------------|------------------------|-------------------|------------------------------|
| <b><u>Revenues</u></b>         |                        |                        |                   |                              |
| Property taxes                 | \$ 1,660,575           | \$ 1,892,812           | \$ (232,237)      | (12.27) %                    |
| Tuition and fees               | 443,924                | 566,195                | (122,271)         | (21.60) %                    |
| Earnings on investments        | 9,310                  | 105,623                | (96,313)          | (91.19) %                    |
| Intergovernmental              | 8,844,533              | 8,209,447              | 635,086           | 7.74 %                       |
| Other revenues                 | <u>52,054</u>          | <u>35,234</u>          | <u>16,820</u>     | 47.74 %                      |
| Total                          | <u>\$ 11,010,396</u>   | <u>\$ 10,809,311</u>   | <u>\$ 201,085</u> | 1.86 %                       |
| <b><u>Expenditures</u></b>     |                        |                        |                   |                              |
| Instruction                    | \$ 7,013,491           | \$ 6,839,627           | \$ 173,864        | 2.54 %                       |
| Support services               | 3,613,815              | 3,491,444              | 122,371           | 3.50 %                       |
| Extracurricular activities     | 10,371                 | 33,935                 | (23,564)          | (69.44) %                    |
| Operation of non-instructional | 18,578                 | -                      | 18,578            | 100.00 %                     |
| Debt service                   | <u>56,848</u>          | <u>64,733</u>          | <u>(7,885)</u>    | (12.18) %                    |
| Total                          | <u>\$ 10,713,103</u>   | <u>\$ 10,429,739</u>   | <u>\$ 283,364</u> | 2.72 %                       |

General fund revenues increased \$201,085 or 1.86% during fiscal year 2021. Property taxes decreased primarily due to fluctuations in the amount of tax advance available from the Clermont County Auditor at fiscal year-end. For the general fund, the tax advance available for the fiscal years ended June 30, 2021, 2020, and 2019 were \$158,172, \$344,752, and \$646,873, respectively. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. Earnings on investments decreased due to lower interest rates on the Districts investments. The decrease in tuition and fees is primarily as result of a decline in open enrollment and special education tuition received from other school districts. These revenue decreases were offset by an increase in intergovernmental revenue due to an increased allocation of State Foundation funding.

General fund expenditures increased \$283,364 or 2.72% during fiscal year 2021. This increase was primarily due to an increase instruction expenditure. This was due to an increase in regular instruction. Extracurricular activities decreased due to a decrease in activities offered to the students because of COVID-19.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

***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.

Original budgeted revenues and other financing sources of \$10,976,368 were increased to \$11,389,866 in the final budget. Actual revenues and other financing sources for fiscal year 2021 were \$11,394,599, which is a \$4,733 increase from final budgeted revenues and other financing sources. General fund original appropriations (appropriated expenditures including other financing uses) of \$11,227,471 were increased to \$11,457,087 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled \$11,053,860, which is \$403,227 lower than final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$12,007,657 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2021 balances compared to June 30, 2020:

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

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2021                    | 2020          |
| Land                      | \$ 208,200              | \$ 208,200    |
| Land improvements         | 175,960                 | 213,721       |
| Building and improvements | 10,734,860              | 11,354,895    |
| Furniture and equipment   | 558,758                 | 350,991       |
| Vehicles                  | 329,879                 | 189,461       |
| Total                     | \$ 12,007,657           | \$ 12,317,268 |

The overall decrease in capital assets of \$309,611 is due to current year depreciation of \$747,209 and disposals, net accumulated depreciation of \$4,165 exceeding additions of \$441,763.

See Note 9 in the notes to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District had no outstanding debt. In fiscal year 2021, the general obligation bonds were retired.

The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

|                          | Governmental<br>Activities<br>2021 | Governmental<br>Activities<br>2020 |
|--------------------------|------------------------------------|------------------------------------|
|                          |                                    |                                    |
| General obligation bonds | \$ -                               | \$ 730,000                         |

See Note 10 in the notes to the basic financial statements for additional information on the District's debt administration.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**Current Financial Related Activities**

Felicity Franklin Local School District has a positive cash balance through fiscal year 2026, but is predicted to deficit spend each year beginning in fiscal year 2022 through the forecast (2026). Deficit spending will decrease our cash balance and will continue each year thereafter until new revenue is generated. The District has not passed an operating levy since 1977, therefore is entering into challenging times. The District is currently funded 67% from the state and is on the state guarantee program. It is not predicted to see increases in funding in the near future due to our continued decline in student enrollment. The District has been preparing for these forecasted challenges since 2016 when we began eliminating staff through attrition. These cost saving efforts were implemented to help the District remain solvent. It is through these changes, that we have been able to operate this District without any additional revenue from local sources.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Felicity - Franklin Local School District, 105 Market Street, P.O. Box 619, Felicity, Ohio 45120.

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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                 |                                    |
| Equity in pooled cash and cash equivalents     | \$ 5,954,184                       |
| Receivables:                                   |                                    |
| Property taxes                                 | 1,919,491                          |
| Accounts                                       | 20,060                             |
| Accrued interest                               | 6,660                              |
| Intergovernmental                              | 145,186                            |
| Materials and supplies inventory               | 2,135                              |
| Inventory held for resale                      | 9,218                              |
| Net OPEB asset                                 | 655,090                            |
| Capital assets:                                |                                    |
| Nondepreciable capital assets                  | 208,200                            |
| Depreciable capital assets, net                | 11,799,457                         |
| Capital assets, net                            | 12,007,657                         |
| Total assets                                   | 20,719,681                         |
| <b>Deferred outflows of resources:</b>         |                                    |
| Pension  | 2,033,129                          |
| OPEB   | 297,396                            |
| Total deferred outflows of resources           | 2,330,525                          |
| <b>Liabilities:</b>                            |                                    |
| Accounts payable                               | 7,861                              |
| Accrued wages and benefits payable             | 771,825                            |
| Intergovernmental payable                      | 24,489                             |
| Pension obligation payable                     | 141,340                            |
| Long-term liabilities:                         |                                    |
| Due within one year                            | 109,202                            |
| Due in more than one year:                     |                                    |
| Net pension liability                          | 11,462,574                         |
| Net OPEB liability                             | 833,904                            |
| Other amounts due in more than one year        | 319,807                            |
| Total liabilities                              | 13,671,002                         |
| <b>Deferred inflows of resources:</b>          |                                    |
| Property taxes levied for the next fiscal year | 1,715,003                          |
| Pension  | 588,137                            |
| OPEB   | 1,359,823                          |
| Total deferred inflows of resources            | 3,662,963                          |
| <b>Net position:</b>                           |                                    |
| Net investment in capital assets               | 12,007,657                         |
| Restricted for:                                |                                    |
| State funded programs                          | 63,094                             |
| Federally funded programs                      | 24,251                             |
| Extracurricular activities                     | 73,325                             |
| Other purposes                                 | 16,019                             |
| Unrestricted (deficit)                         | (6,468,105)                        |
| Total net position                             | \$ 5,716,241                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

|   |                      | Program Revenues                  |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|----------------------|-----------------------------------|---------------------------------------|--|
|   | Expenses             | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Governmental<br>Activities                                 |
| <b>Governmental activities:</b>                             |                      |                                   |                                       |  |
| Instruction:  |                      |                                   |                                       |  |
| Regular   | \$ 5,401,646         | \$ 402,690                        | \$ 348,146                            | \$ (4,650,810)   |
| Special   | 2,615,711            | 41,234                            | 1,082,821                             | (1,491,656)  |
| Vocational  | 362,140              | -                                 | 92,962                                | (269,178)  |
| Other   | 128,370              | -                                 | 4,637                                 | (123,733)  |
| Support services:   |                      |                                   |                                       |  |
| Pupil   | 440,952              | -                                 | 175,736                               | (265,216)  |
| Instructional staff   | 448,970              | -                                 | 29,877                                | (419,093)  |
| Board of education  | 16,699               | -                                 | -                                     | (16,699)   |
| Administration  | 910,982              | -                                 | 4,421                                 | (906,561)  |
| Fiscal  | 335,204              | -                                 | -                                     | (335,204)  |
| Business  | 7,641                | -                                 | -                                     | (7,641)  |
| Operations and maintenance                                  | 1,235,210            | 4,262                             | 121,814                               | (1,109,134)  |
| Pupil transportation  | 581,856              | 2,207                             | 97,042                                | (482,607)  |
| Central   | 35,656               | -                                 | 8,791                                 | (26,865)   |
| Operation of non-instructional services:                    |                      |                                   |                                       |  |
| Food service operations                                     | 522,521              | 37,981                            | 367,052                               | (117,488)  |
| Other non-instructional services                            | 17,749               | -                                 | 7,376                                 | (10,373)   |
| Extracurricular activities                                  | 300,199              | 104,766                           | 2,171                                 | (193,262)  |
| Interest and fiscal charges                                 | 6,733                | -                                 | -                                     | (6,733)  |
| <b>Totals</b>   | <b>\$ 13,368,239</b> | <b>\$ 593,140</b>                 | <b>\$ 2,342,846</b>                   | <b>(10,432,253)</b>  |
| <b>General revenues:</b>                                    |                      |                                   |                                       |  |
| Property taxes levied for:                                  |                      |                                   |                                       |  |
| General purposes  |                      |                                   |                                       | 1,641,426  |
| Debt service  |                      |                                   |                                       | 21,833   |
| Classroom facilities maintenance                            |                      |                                   |                                       | 23,789   |
| Grants and entitlements not restricted to specific programs |                      |                                   |                                       | 8,099,774  |
| Investment earnings   |                      |                                   |                                       | 9,311  |
| Miscellaneous   |                      |                                   |                                       | 83,069   |
| Total general revenues                                      |                      |                                   |                                       | 9,879,202  |
| Change in net position                                      |                      |                                   |                                       | (553,051)  |
| <b>Net position at beginning of year</b>                    |                      |                                   |                                       | <b>6,269,292</b>   |
| <b>Net position at end of year</b>                          |                      |                                   |                                       | <b>\$ 5,716,241</b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Assets:</b>  |                     |  |   |
| Equity in pooled cash<br>and cash equivalents         | \$ 5,427,049        | \$ 527,135                                 | \$ 5,954,184                            |
| Receivables:  |                     |  |   |
| Property taxes  | 1,919,491           | -  | 1,919,491                               |
| Accounts  | 7,578               | 12,482                                     | 20,060                                  |
| Accrued interest                                      | 6,660               | -  | 6,660                                   |
| Interfund loans                                       | 103,278             | -  | 103,278                                 |
| Intergovernmental                                     | 5,391               | 139,795                                    | 145,186                                 |
| Materials and supplies inventory                      | -                   | 2,135                                      | 2,135                                   |
| Inventory held for resale                             | -                   | 9,218                                      | 9,218                                   |
| Total assets  | <u>\$ 7,469,447</u> | <u>\$ 690,765</u>                          | <u>\$ 8,160,212</u>                     |
| <b>Liabilities:</b>                                   |                     |  |   |
| Accounts payable                                      | \$ 7,861            | \$ -                                       | \$ 7,861                                |
| Accrued wages and benefits payable                    | 734,474             | 37,351                                     | 771,825                                 |
| Compensated absences payable                          | 3,019               | -  | 3,019                                   |
| Intergovernmental payable                             | 23,960              | 529  | 24,489                                  |
| Pension obligation payable                            | 125,967             | 15,373                                     | 141,340                                 |
| Interfund loans payable                               | -                   | 103,278                                    | 103,278                                 |
| Total liabilities                                     | <u>895,281</u>      | <u>156,531</u>                             | <u>1,051,812</u>                        |
| <b>Deferred inflows of resources:</b>                 |                     |  |   |
| Property taxes levied for the next fiscal year        | 1,715,003           | -  | 1,715,003                               |
| Delinquent property tax revenue not available         | 46,316              | -  | 46,316                                  |
| Intergovernmental revenue not available               | -                   | 137,726                                    | 137,726                                 |
| Accrued interest not available                        | 223                 | -  | 223                                     |
| Total deferred inflows of resources                   | <u>1,761,542</u>    | <u>137,726</u>                             | <u>1,899,268</u>                        |
| <b>Fund balances:</b>                                 |                     |  |   |
| Nonspendable:   |                     |  |   |
| Materials and supplies inventory                      | -                   | 2,135                                      | 2,135                                   |
| Restricted:   |                     |  |   |
| State funded programs                                 | -                   | 63,094                                     | 63,094                                  |
| Extracurricular activities                            | -                   | 73,325                                     | 73,325                                  |
| Other purposes  | -                   | 16,019                                     | 16,019                                  |
| Committed:  |                     |  |   |
| Capital improvements                                  | -                   | 372,866                                    | 372,866                                 |
| Termination benefits                                  | 77,895              | -  | 77,895                                  |
| Assigned:   |                     |  |   |
| Student instruction                                   | 15,082              | -  | 15,082                                  |
| Student and staff support                             | 47,342              | -  | 47,342                                  |
| Subsequent year's appropriations                      | 391,801             | -  | 391,801                                 |
| Unassigned (deficit)                                  | <u>4,280,504</u>    | <u>(130,931)</u>                           | <u>4,149,573</u>                        |
| Total fund balances                                   | <u>4,812,624</u>    | <u>396,508</u>                             | <u>5,209,132</u>                        |
| Total liabilities, deferred inflows and fund balances | <u>\$ 7,469,447</u> | <u>\$ 690,765</u>                          | <u>\$ 8,160,212</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

|   |    |              |              |
|---|----|--------------|--------------|
| <b>Total governmental fund balances</b>   |    | \$           | 5,209,132    |
| <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.   |    |              | 12,007,657   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.  |    |              |              |
| Property taxes receivable   | \$ | 46,316       |              |
| Accrued interest receivable   |    | 223          |              |
| Intergovernmental receivable  |    | 137,726      |              |
| Total   |    | 137,726      | 184,265      |
| 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   |    | 2,033,129    |              |
| Deferred inflows - pension  |    | (588,137)    |              |
| Net pension liability   |    | (11,462,574) |              |
| Deferred outflows - OPEB  |    | 297,396      |              |
| Deferred inflows - OPEB   |    | (1,359,823)  |              |
| Net OPEB asset  |    | 655,090      |              |
| Net OPEB liability  |    | (833,904)    |              |
| Total   |    | (833,904)    | (11,258,823) |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.   |    |              |              |
| Compensated absences  |    | (425,990)    |              |
| Total   |    | (425,990)    | (425,990)    |
| <b>Net position of governmental activities</b>  |    | \$           | 5,716,241    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

|  | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--|---|
| <b>Revenues:</b>                             |                     |  |   |
| Property taxes                               | \$ 1,660,575        | \$ 51,542                                  | \$ 1,712,117                            |
| Intergovernmental                            | 8,844,533           | 1,443,440                                  | 10,287,973                              |
| Investment earnings                          | 9,310               | 5  | 9,315                                   |
| Tuition and fees                             | 443,924             | -  | 443,924                                 |
| Extracurricular                              | 6,600               | 101,635                                    | 108,235                                 |
| Rental income                                | 3,000               | -  | 3,000                                   |
| Charges for services                         | -                   | 37,981                                     | 37,981                                  |
| Contributions and donations                  | 15                  | 1,400                                      | 1,415                                   |
| Miscellaneous                                | 42,439              | 47,708                                     | 90,147                                  |
| Total revenues                               | <u>11,010,396</u>   | <u>1,683,711</u>                           | <u>12,694,107</u>                       |
| <b>Expenditures:</b>                         |                     |  |   |
| Current:                                     |                     |  |   |
| Instruction:                                 |                     |  |   |
| Regular                                      | 4,290,540           | 342,501                                    | 4,633,041                               |
| Special                                      | 2,202,278           | 381,247                                    | 2,583,525                               |
| Vocational                                   | 396,949             | 5,000                                      | 401,949                                 |
| Other  | 123,724             | 4,646                                      | 128,370                                 |
| Support services:                            |                     |  |   |
| Pupil  | 269,131             | 142,536                                    | 411,667                                 |
| Instructional staff                          | 550,975             | 35,921                                     | 586,896                                 |
| Board of education                           | 16,454              | -  | 16,454                                  |
| Administration                               | 881,562             | 4,041                                      | 885,603                                 |
| Fiscal                                       | 329,281             | 1,366                                      | 330,647                                 |
| Business                                     | 7,641               | -  | 7,641                                   |
| Operations and maintenance                   | 911,505             | 273,855                                    | 1,185,360                               |
| Pupil transportation                         | 620,865             | 79,484                                     | 700,349                                 |
| Central                                      | 26,401              | 9,255                                      | 35,656                                  |
| Operation of non-instructional services:     |                     |  |   |
| Food service operations                      | -                   | 524,918                                    | 524,918                                 |
| Other non-instructional services             | 10,371              | 7,378                                      | 17,749                                  |
| Extracurricular activities                   | 18,578              | 275,336                                    | 293,914                                 |
| Debt service:                                |                     |  |   |
| Principal retirement                         | 50,000              | 680,000                                    | 730,000                                 |
| Interest and fiscal charges                  | 6,848               | 9,941                                      | 16,789                                  |
| Total expenditures                           | <u>10,713,103</u>   | <u>2,777,425</u>                           | <u>13,490,528</u>                       |
| Excess of revenues over (under) expenditures | <u>297,293</u>      | <u>(1,093,714)</u>                         | <u>(796,421)</u>                        |
| <b>Other financing sources (uses):</b>       |                     |  |   |
| Proceeds from sale of assets                 | 6,800               | -  | 6,800                                   |
| Transfers in                                 | 15                  | 567,889                                    | 567,904                                 |
| Transfers (out)                              | (282,500)           | (285,404)                                  | (567,904)                               |
| Total other financing sources (uses)         | <u>(275,685)</u>    | <u>282,485</u>                             | <u>6,800</u>                            |
| Net change in fund balances                  | 21,608              | (811,229)                                  | (789,621)                               |
| <b>Fund balances at beginning of year</b>    | <u>4,791,016</u>    | <u>1,207,737</u>                           | <u>5,998,753</u>                        |
| <b>Fund balances at end of year</b>          | <u>\$ 4,812,624</u> | <u>\$ 396,508</u>                          | <u>\$ 5,209,132</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT 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>   | \$          | (789,621)        |
| <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   | \$ 441,763  |                  |
| Current year depreciation   | (747,209)   |                  |
| Total   |             | (305,446)        |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.   |             |                  |
|   |             | (4,165)          |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |             |                  |
| Property taxes  | (25,069)    |                  |
| Earnings on investments   | 1           |                  |
| Intergovernmental   | 102,362     |                  |
| Miscellaneous   | 37,836      |                  |
| Total   |             | 115,130          |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |             |                  |
|   |             | 730,000          |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities: |             |                  |
| Decrease in accrued interest payable  | 1,914       |                  |
| Amortization of bond premiums   | 8,142       |                  |
| Total   |             | 10,056           |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.   |             |                  |
| Pension   | 814,666     |                  |
| OPEB  | 24,802      |                  |
| Total   |             | 839,468          |
| 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   | (1,120,719) |                  |
| OPEB  | 79,925      |                  |
| Total   |             | (1,040,794)      |
| 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.                                    |             |                  |
|   |             | (107,679)        |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>   | <b>(553,051)</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Felicity-Franklin Local School District (the “District”) was established in 1930 through the consolidation of existing land areas and districts and serves an area of approximately 84 square miles located in Clermont County, and include the Villages of Felicity and Chilo, all of Franklin Township and a portion of Washington Township.

The District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms.

The District is staffed 40 non-certified employees and 67 certified employees who provide services to approximately 763 students and other community members.

**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).

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

The Hamilton/Clermont Cooperative

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative (H/CC). H/CC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CC consists of one representative from each of the participating members. Complete financial statements for H/CC can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

The Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley is a council of government among governments and non-profit organizations in southwest Ohio, northern Kentucky and southeastern Indiana. The Cooperative was organized to pool purchasing power in order to obtain the best prices for quality products and services, serve as a resource on matters related to purchasing and related business operations and provide in-service programs relative to purchasing, product information and applicable government regulations. The Cooperative is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Grant Career Center

The Grant Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the four participating school district's elected board with an additional representative rotated among the four schools. Grant Career Center possesses its own budgeting and taxing authority and was formed for the purpose of providing vocational education opportunities to the students of the member school districts. The School District has no ongoing financial interest in or responsibility for Grant Career Center. To obtain financial information, write to Grant Career Center at 3046 State Route 125, Bethel, Ohio 45106.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The District participates in The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Southwest Ohio Educational Purchasing Council (EPC) Benefit Plan Trust

The School District is a member of the EPC Benefit Plan Trust (the Plan), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. Each member school district pays a monthly premium to the Trust fund for insurance coverage, which is provided by either Anthem Blue Cross or United HealthCare. The Plan is governed by a Trust agreement and a Board of Trustees elected by participating districts. To obtain financial information, write to the Plan at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

**B. Fund Accounting**

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

*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 are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the District's major governmental fund:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**C. Basis of Presentation 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. These statements distinguish between those activities that are governmental and those that are considered business-type activities. However, the District has only governmental activities; therefore, no business-type activities are presented.

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

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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current inflows of resources are generally 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.

**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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and 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 sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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, and student fees.

*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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures, and changes in fund balances as an expenditure 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. Budgetary Process**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Although, the Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

**F. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2021, investments were limited to negotiable certificates of deposits (CDs), a U.S. government money market mutual fund, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and STAR Plus. Except for investments in STAR Ohio and STAR Plus, investments are reported at fair value, which is based on quoted market prices.

In fiscal year 2021, the District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity, and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

During fiscal year 2021, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 \$9,310, which includes \$1,331 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 which are not purchased from the cash management pool are reported as investments.

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



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

**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 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 generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition value. 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. The District does not possess infrastructure.

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

| <u>Description</u>      | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|-------------------------|--|
| Land improvements       | 5 - 15 years   |
| Buildings               | 10 - 75 years  |
| Building improvements   | 10 - 35 years  |
| Furniture and equipment | 5 - 20 years   |
| Vehicles                | 5 - 20 years   |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans to cover negative cash balances are classified as "due to/from other funds". On fund financial statements, short-term receivables and payables resulting from interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

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

For governmental fund financial statements compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and 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.

**L. Unamortized Bond Premiums**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. On the governmental fund financial statements, bond premiums are recognized in the current period. Bond premiums are presented as an addition to the face amount of the bonds. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

**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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

*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. Net position restricted for other purposes primarily include resources restricted for food service and/or rotary services.

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

**O. 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 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.

On the fund financial statements, reported prepayments is equally offset by 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

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

**P. 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.

**Q. 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.

**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 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. 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. The District had no extraordinary or special items during the fiscal year.

**T. Fair Value Measurements**

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.

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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> |
|--|----------------|
| Food Service                                     | \$ 6,244       |
| Vocational Education Enhancement                 | 3,055          |
| Elementary and Secondary School Emergency Relief | 24,876         |
| School Improvement Stimulus A                    | 17,880         |
| Title I, Disadvantaged Children                  | 74,858         |
| IDEA Part B - Preschool Stimulus                 | 2              |
| Miscellaneous Federal Grants                     | 1,881          |

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,

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. Expected as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was \$1,818,844. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, \$1,430,594 of the District's bank balance of \$1,930,594 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 2021, the District's financial institutions pledged individual securities as collateral whose fair value at all times was at least 105 percent of the deposits being secured. 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.

**B. Investments**

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

| Measurement/<br><u>Investment type</u>      | Measurement<br><u>Value</u> | <u>Investment Maturities</u> |                           |                            |
|---|-----------------------------|------------------------------|---------------------------|----------------------------|
|   |                             | <u>6 months or<br/>less</u>  | <u>7 to 12<br/>months</u> | <u>13 to 18<br/>months</u> |
| <i>Fair Value:</i>                          |                             |                              |                           |                            |
| Negotiable CDs                              | \$ 953,027                  | \$ 249,225                   | \$ 453,784                | \$ 250,018                 |
| U.S. government money<br>market mutual fund | 404,272                     | 404,272                      | -                         | -                          |
| <i>Amorized cost:</i>                       |                             |                              |                           |                            |
| STAR Ohio                                   | <u>2,778,041</u>            | <u>2,778,041</u>             | <u>-</u>                  | <u>-</u>                   |
| Total                                       | <u>\$ 4,135,340</u>         | <u>\$ 3,431,538</u>          | <u>\$ 453,784</u>         | <u>\$ 250,018</u>          |

The weighted average maturity of investments is 0.16 years.

The District's investments in U.S Government money market mutual funds are valued using quoted market prices (Level 1 inputs). The District's investments in negotiable certificates of deposit are valued using quoted market prices 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 direct or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The U.S. government money market mutual fund and STAR Ohio were rated an AAAM money market rating 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 negotiable certificates of deposit were not rated but were fully insured by the FDIC. The District has no investment policy dealing with credit risk.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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/<br/>Investment type</u>     | <u>Measurement<br/>Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| <i>Fair Value:</i>                          |                              |                   |
| Negotiable CDs                              | \$ 953,027                   | 23.05             |
| U.S. government money<br>market mutual fund | 404,272                      | 9.78              |
| <i>Amortized cost:</i>                      |                              |                   |
| STAR Ohio                                   | <u>2,778,041</u>             | <u>67.18</u>      |
| Total:                                      | <u>\$ 4,135,340</u>          | <u>100.00</u>     |

**C. 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 investments as reported on the statement of net position as of June 30, 2021:

|   |                     |
|---|---------------------|
| <u>Cash and investments per note</u>                          |                     |
| Carrying amount of deposits                                   | \$ 1,818,844        |
| Investments   | <u>4,135,340</u>    |
| Total   | <u>\$ 5,954,184</u> |
| <br><u>Cash and investments per statement of net position</u> |                     |
| Governmental activities                                       | \$ 5,954,184        |
| Total   | <u>\$ 5,954,184</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund financial statements:

|  |                   |
|--|-------------------|
| <u>Transfers from the general fund to:</u>               | <u>Amount</u>     |
| Nonmajor governmental funds                              | \$ 282,500        |
| <br><u>Transfers from nonmajor governmental fund to:</u> |                   |
| General fund   | 15                |
| Nonmajor governmental funds                              | <u>285,389</u>    |
|  | <u>\$ 567,904</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the nonmajor governmental funds to the general fund and other nonmajor governmental funds were for terminated activity and to close-out the debt service fund and were approved by the Board of Education.

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



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

All transfers made in fiscal year 2021 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B.** Interfund loans receivable/payable consisted of the following at June 30, 2021, as reported on the fund statements:

| <u>Due to general fund from:</u>                 | <u>Amount</u>     |
|--|-------------------|
| Vocational Education Enhancement                 | \$ 3,067          |
| Elementary and Secondary School Emergency Relief | 24,876            |
| School Improvement Stimulus A                    | 17,880            |
| Title I  | 55,572            |
| IDEA Part B - Preschool Stimulus                 | 2                 |
| Miscellaneous Federal Grants                     | 1,881             |
| Total  | <u>\$ 103,278</u> |

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

Interfund loans between governmental funds are eliminated for reporting in the statement of net position.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 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 Clermont County. The County Auditor 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 \$158,172 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$344,752 in the general fund, \$25,658 in the debt service fund, and \$5,505 in the classroom facilities and maintenance 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 of resources.

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<br>Half Collections |                      | 2021 First<br>Half Collections |                      |
|---|---------------------------------|----------------------|--------------------------------|----------------------|
|   | <u>Amount</u>                   | <u>Percent</u>       | <u>Amount</u>                  | <u>Percent</u>       |
| Agricultural/residential<br>and other real estate | \$ 83,935,050                   | 84.88                | \$ 85,128,700                  | 84.32                |
| Public utility personal                           | <u>14,951,120</u>               | <u>15.12</u>         | <u>15,825,920</u>              | <u>15.68</u>         |
| <b>Total</b>                                      | <b><u>\$ 98,886,170</u></b>     | <b><u>100.00</u></b> | <b><u>\$ 100,954,620</u></b>   | <b><u>100.00</u></b> |
| <br>Tax rate per \$1,000 of<br>assessed valuation | <br>\$ 30.30                    |                      | <br>\$ 28.80                   |                      |

**NOTE 7 - EMPLOYEE BENEFITS**

Compensated Absences

The criteria for determining vacation and sick leave components are derived from State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month and sick leave may be accumulated with no maximum for employees hired before January 1, 2001 and up to a maximum of 300 days for employees hired after January 1, 2001. Upon retirement of an employee hired before January 1, 2001, payment is made for 25% of accrued, but unused sick leave, for the first 300 days, plus one day for each 10 days of unused sick leave accumulated over the first 300 days. Upon retirement of an employee hired after January 1, 2001, payment is made for 25% of accrued, but unused sick leave up to 300 days.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2021 consisted of property taxes, accounts receivable, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**Governmental activities:**

|                   |                            |
|-------------------|----------------------------|
| Property taxes    | \$ 1,919,491               |
| Accounts          | 20,060                     |
| Accrued interest  | 6,660                      |
| Intergovernmental | <u>145,186</u>             |
| <b>Total</b>      | <b><u>\$ 2,091,397</u></b> |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - RECEIVABLES - (Continued)**

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

**NOTE 9 - CAPITAL ASSETS**

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

|   | <u>Balance</u><br><u>06/30/20</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance</u><br><u>06/30/21</u> |
|---|-----------------------------------|---------------------|-------------------|-----------------------------------|
| <b>Governmental activities:</b>               |                                   |                     |                   |                                   |
| <i>Capital assets, not being depreciated:</i> |                                   |                     |                   |                                   |
| Land  | \$ 208,200                        | \$ -                | \$ -              | \$ 208,200                        |
| Total capital assets, not being depreciated   | <u>208,200</u>                    | <u>-</u>            | <u>-</u>          | <u>208,200</u>                    |
| <i>Capital assets, being depreciated:</i>     |                                   |                     |                   |                                   |
| Land improvements                             | 1,185,781                         | -                   | -                 | 1,185,781                         |
| Buildings and improvements                    | 25,154,812                        | -                   | -                 | 25,154,812                        |
| Furniture and equipment                       | 1,073,297                         | 264,219             | -                 | 1,337,516                         |
| Vehicles                                      | 824,522                           | 177,544             | (9,400)           | 992,666                           |
| Total capital assets, being depreciated       | <u>28,238,412</u>                 | <u>441,763</u>      | <u>(9,400)</u>    | <u>28,670,775</u>                 |
| <i>Less: accumulated depreciation</i>         |                                   |                     |                   |                                   |
| Land improvements                             | (972,060)                         | (37,761)            | -                 | (1,009,821)                       |
| Buildings and improvements                    | (13,799,917)                      | (620,035)           | -                 | (14,419,952)                      |
| Furniture and equipment                       | (722,306)                         | (56,452)            | -                 | (778,758)                         |
| Vehicles                                      | (635,061)                         | (32,961)            | 5,235             | (662,787)                         |
| Total accumulated depreciation                | <u>(16,129,344)</u>               | <u>(747,209)</u>    | <u>5,235</u>      | <u>(16,871,318)</u>               |
| Governmental activities capital assets, net   | <u>\$ 12,317,268</u>              | <u>\$ (305,446)</u> | <u>\$ (4,165)</u> | <u>\$ 12,007,657</u>              |

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| <u>Instruction:</u>        |                   |
| Regular                    | \$ 666,326        |
| Special                    | 626               |
| Vocational                 | 3,819             |
| <u>Support services:</u>   |                   |
| Instructional staff        | 18,631            |
| Operations and maintenance | 5,940             |
| Pupil transportation       | 49,815            |
| Food service operations    | 1,547             |
| Extracurricular activities | 505               |
| Total depreciation expense | <u>\$ 747,209</u> |

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**NOTE 10 - LONG-TERM OBLIGATIONS**

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

|  | Balance              |                   |                     | Balance              | Amount                           |
|--|----------------------|-------------------|---------------------|----------------------|----------------------------------|
|  | <u>06/30/20</u>      | <u>Additions</u>  | <u>Reductions</u>   | <u>06/30/21</u>      | <u>Due in</u><br><u>One Year</u> |
| <b>Governmental activities:</b>                                |                      |                   |                     |                      |                                  |
| General obligation bonds:                                      |                      |                   |                     |                      |                                  |
| Series 2011 general obligation improvement bonds 2.35% - 4.15% |                      |                   |                     |                      |                                  |
| Current interest bonds   | \$ 330,000           | \$ -              | \$ (330,000)        | \$ -                 | \$ -                             |
| Series 2012 general obligation refunding bonds 2.00% - 3.00%   |                      |                   |                     |                      |                                  |
| Current interest bonds   | 400,000              | -                 | (400,000)           | -                    | -                                |
| Compensated absences   | 332,162              | 167,435           | (70,588)            | 429,009              | 109,202                          |
| Net pension liability  | 10,976,965           | 485,609           | -                   | 11,462,574           | -                                |
| Net OPEB liability   | <u>1,027,035</u>     | <u>-</u>          | <u>(193,131)</u>    | <u>833,904</u>       | <u>-</u>                         |
| Total governmental activities long-term liabilities            | 13,066,162           | <u>\$ 653,044</u> | <u>\$ (993,719)</u> | 12,725,487           | <u>\$ 109,202</u>                |
| Add: Unamortized premium on bonds                              | <u>45,978</u>        | -                 | (45,978)            | -                    |                                  |
| Total on statement of net position                             | <u>\$ 13,112,140</u> |                   |                     | <u>\$ 12,725,487</u> |                                  |

All general obligation debt is supported by the full faith and credit of the District.

Series 2011 Felicity-Franklin HB264 Project School Improvement Bonds

On October 6, 2011, the District issued Series 2011 general obligation bonds for energy conservation improvements to school facilities with final maturity at December 1, 2025. The Series 2011 bonds were called on February 15, 2021.

Series 2012 Felicity-Franklin School Improvement Refunding Bonds

On March 27, 2012, the District issued Series 2012 school improvement refunding bonds to current refund a Series 1997 issuance on April 26, 2012 and current refund the callable portion of Series 2002 school improvement bonds on June 1, 2012. These bonds were called on February 15, 2021.

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid, which primarily consist of the general fund and food service fund (a nonmajor governmental fund).

Net Pension Liability

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

Net OPEB Liability/Asset

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

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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 \$9,085,916 and an unvoted debt margin of \$100,955.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

**B. Workers' Compensation**

The District participates in Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2). 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 school districts is calculated as one experience and a common premium rate is applied to all school 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. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Health, Dental, Vision and Disability Benefits**

The District participates in the Southwest Ohio Educational Purchasing Council Benefit Plan Trust (the Plan), a group insurance purchasing pool (Note 2), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**NOTE 12 - 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.

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

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 13 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 on both the accrual and modified accrual bases of accounting.

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

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

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 \$181,014 for fiscal year 2021. Of this amount, \$8,018 is reported as a liability.

***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).

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.

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

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 \$633,652 for fiscal year 2021. Of this amount, \$108,996 is reported as a liability.

***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.

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   | 0.03985120%         | 0.03885522%         |               |
| Proportion of the net pension liability current measurement date | <u>0.03694470%</u>  | <u>0.03727397%</u>  |               |
| Change in proportionate share                                    | <u>-0.00290650%</u> | <u>-0.00158125%</u> |               |
| Proportionate share of the net pension liability                 | \$ 2,443,600        | \$ 9,018,974        | \$ 11,462,574 |
| Pension expense  | 154,553             | 966,166             | 1,120,719     |



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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   | \$ 4,747          | \$ 20,236           | \$ 24,983           |
| Net difference between projected and actual earnings on pension plan investments                                     | 155,119           | 438,592             | 593,711             |
| Changes of assumptions   | -                 | 484,144             | 484,144             |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | -                 | 115,625             | 115,625             |
| Contributions subsequent to the measurement date   | <u>181,014</u>    | <u>633,652</u>      | <u>814,666</u>      |
| Total deferred outflows of resources   | <u>\$ 340,880</u> | <u>\$ 1,692,249</u> | <u>\$ 2,033,129</u> |
|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
| <b>Deferred inflows of resources</b>   |                   |                     |                     |
| Differences between expected and actual experience   | \$ -              | \$ 57,671           | \$ 57,671           |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>137,311</u>    | <u>393,155</u>      | <u>530,466</u>      |
| Total deferred inflows of resources  | <u>\$ 137,311</u> | <u>\$ 450,826</u>   | <u>\$ 588,137</u>   |

\$814,666 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.

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

|                             | <u>SERS</u>      | <u>STRS</u>       | <u>Total</u>      |
|-----------------------------|------------------|-------------------|-------------------|
| Fiscal Year Ending June 30: |                  |                   |                   |
| 2022                        | \$ (98,269)      | \$ 194,603        | \$ 96,334         |
| 2023                        | 7,605            | 62,163            | 69,768            |
| 2024                        | 64,656           | 219,201           | 283,857           |
| 2025                        | 48,563           | 131,806           | 180,369           |
| 2026                        | <u>-</u>         | <u>(2)</u>        | <u>(2)</u>        |
| Total                       | <u>\$ 22,555</u> | <u>\$ 607,771</u> | <u>\$ 630,326</u> |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

***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.

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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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<br/>Allocation</u> | <u>Long-Term Expected<br/>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 | \$ 3,347,434       | \$ 2,443,600         | \$ 1,685,267       |

**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 are presented below:

|                                   | <u>July 1, 2020</u>                                       |
|-----------------------------------|---|
| Inflation                         | 2.50%   |
| Projected salary increases        | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return         | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                 | 3.00%   |
| Cost-of-living adjustments (COLA) | 0.00%   |

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

For the July 1, 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 July 1, 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:

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

\*\*10-Year 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 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:

|   | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| District's proportionate share of the net pension liability | \$ 12,841,449      | \$ 9,018,974                     | \$ 5,779,745       |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

See Note 12 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 Annual Comprehensive 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.

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 \$24,802.

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 \$24,802 for fiscal year 2021. Of this amount, \$24,802 is reported as a liability.

***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.

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

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.

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   | 0.04083980%         | 0.03885522%         |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.03836990%</u>  | <u>0.03727397%</u>  |              |
| Change in proportionate share                                       | <u>-0.00246990%</u> | <u>-0.00158125%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 833,904          | \$ -                | \$ 833,904   |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ (655,090)        | \$ (655,090) |
| OPEB expense  | \$ (30,172)         | \$ (49,753)         | \$ (79,925)  |

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  | \$ 10,952         | \$ 41,975        | \$ 52,927         |
| Net difference between projected and actual earnings on OPEB plan investments                                     | 9,395             | 22,958           | 32,353            |
| Changes of assumptions  | 142,151           | 10,813           | 152,964           |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 28,704            | 5,646            | 34,350            |
| Contributions subsequent to the measurement date  | <u>24,802</u>     | <u>-</u>         | <u>24,802</u>     |
| Total deferred outflows of resources  | <u>\$ 216,004</u> | <u>\$ 81,392</u> | <u>\$ 297,396</u> |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|  | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>        |
|--|-------------------|-------------------|---------------------|
| <b>Deferred inflows of resources</b>   |                   |                   |                     |
| Differences between expected and actual experience   | \$ 424,098        | \$ 130,484        | \$ 554,582          |
| Changes of assumptions   | 21,003            | 622,224           | 643,227             |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>116,680</u>    | <u>45,334</u>     | <u>162,014</u>      |
| Total deferred inflows of resources  | <u>\$ 561,781</u> | <u>\$ 798,042</u> | <u>\$ 1,359,823</u> |

\$24,802 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.

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

|                             | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>          |
|-----------------------------|---------------------|---------------------|-----------------------|
| Fiscal Year Ending June 30: |                     |                     |                       |
| 2022                        | \$ (71,729)         | \$ (179,968)        | \$ (251,697)          |
| 2023                        | (71,052)            | (164,428)           | (235,480)             |
| 2024                        | (71,161)            | (158,977)           | (230,138)             |
| 2025                        | (75,226)            | (152,139)           | (227,365)             |
| 2026                        | (60,164)            | (29,118)            | (89,282)              |
| Thereafter                  | <u>(21,247)</u>     | <u>(32,020)</u>     | <u>(53,267)</u>       |
| Total                       | <u>\$ (370,579)</u> | <u>\$ (716,650)</u> | <u>\$ (1,087,229)</u> |

**Actuarial Assumptions - SERS**

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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 13 - 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<br>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,<br>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.



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 13 - 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:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>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 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%).

|  | <u>1% Decrease</u>  | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|---|----------------------------------|--------------------|
|  | District's proportionate share<br>of the net OPEB liability | \$ 1,020,677                     | \$ 833,904         |

|  | <u>1% Decrease</u>  | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|--|---|-------------------------------|--------------------|
|  | District's proportionate share<br>of the net OPEB liability | \$ 656,636                    | \$ 833,904         |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 13 - 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<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 13 - 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<br>Allocation | Long-Term Expected<br>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<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 569,970  | \$ 655,090               | \$ 727,310  |

|   | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 722,827  | \$ 655,090            | \$ 572,575  |

**NOTE 14 - 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.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 14 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is not involved in material litigation as either plaintiff or defendant that management believes would have a material adverse effect on the financial statements.

**C. School Foundation**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. The final ODE adjustment for fiscal year 2021 was not material and is not reflected in the financial statements.

**NOTE 15 - 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<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2020             | \$ -                            |
| Current year set-aside requirement          | 145,522                         |
| Current year offsets (funds besides 001)    | (130,022)                       |
| Prior year offsets from Bond Proceeds       | <u>(15,500)</u>                 |
| Total                                       | <u>\$ -</u>                     |
| Balance carried forward to fiscal year 2022 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2021             | <u><u>\$ -</u></u>              |

The District had current year expenditures and prior year offset from bond proceeds that reduced the capital improvements set-aside amount to zero. During fiscal years 1997 and 2012 , the District issued \$1,350,000 and \$685,000, respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$1,979,770 at June 30, 2021.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**NOTE 16 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end 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<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 16,089                        |
| Other nonmajor governmental | <u>21,453</u>                    |
| Total                       | <u>\$ 37,542</u>                 |

**NOTE 17 - 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 18 - 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, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating 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 educating school. For fiscal year 2021, the District reported \$655,941 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported \$346,888 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.

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REQUIRED SUPPLEMENTARY INFORMATION

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

SCHEDULE 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> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Revenues:</b>                                       |                         |                     |                     |   |
| From local sources:                                    |                         |                     |                     |   |
| Property taxes . . . . .                               | \$ 1,928,721            | \$ 1,847,155        | \$ 1,847,155        | \$ -  |
| Tuition . . . . .                                      | 536,750                 | 443,724             | 443,724             | -   |
| Earnings on investments . . . . .                      | 76,086                  | 42,912              | 38,712              | (4,200)   |
| Extracurricular . . . . .                              | 1,578                   | 400                 | 400                 | -   |
| Classroom materials and fees . . . . .                 | -                       | 200                 | 200                 | -   |
| Rental income . . . . .                                | 3,155                   | 3,000               | 3,000               | -   |
| Contributions and donations . . . . .                  | -                       | 15                  | 15                  | -   |
| Other local revenues . . . . .                         | 21,989                  | 38,887              | 40,803              | 1,916   |
| Intergovernmental - state . . . . .                    | 8,206,331               | 8,717,733           | 8,717,734           | 1   |
| Intergovernmental - federal . . . . .                  | 124,194                 | 121,934             | 128,935             | 7,001   |
| Total revenues . . . . .                               | <u>10,898,804</u>       | <u>11,215,960</u>   | <u>11,220,678</u>   | <u>4,718</u>  |
| <b>Expenditures:</b>                                   |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| Instruction:   |                         |                     |                     |   |
| Regular . . . . .                                      | 4,520,582               | 4,691,652           | 4,283,580           | 408,072   |
| Special . . . . .                                      | 2,230,959               | 2,075,437           | 2,160,606           | (85,169)  |
| Vocational . . . . .                                   | 391,648                 | 383,425             | 389,496             | (6,071)   |
| Other . . . . .  | 91,140                  | 88,000              | 123,724             | (35,724)  |
| Support services:                                      |                         |                     |                     |   |
| Pupil . . . . .  | 249,798                 | 241,668             | 252,173             | (10,505)  |
| Instructional staff . . . . .                          | 446,208                 | 566,951             | 553,935             | 13,016  |
| Board of education . . . . .                           | 20,999                  | 20,275              | 16,957              | 3,318   |
| Administration . . . . .                               | 911,875                 | 880,756             | 863,901             | 16,855  |
| Fiscal . . . . .                                       | 365,383                 | 355,527             | 334,605             | 20,922  |
| Business . . . . .                                     | 10,357                  | 10,000              | 7,641               | 2,359   |
| Operations and maintenance . . . . .                   | 884,899                 | 1,002,345           | 949,130             | 53,215  |
| Pupil transportation . . . . .                         | 710,226                 | 718,330             | 608,717             | 109,613   |
| Central . . . . .                                      | 42,830                  | 41,200              | 25,185              | 16,015  |
| Extracurricular activities . . . . .                   | 25,673                  | 24,788              | 16,584              | 8,204   |
| Debt service:  |                         |                     |                     |   |
| Principal . . . . .                                    | 51,784                  | 50,000              | 50,000              | -   |
| Interest and fiscal charges . . . . .                  | 13,110                  | 12,733              | 6,848               | 5,885   |
| Total expenditures . . . . .                           | <u>10,967,471</u>       | <u>11,163,087</u>   | <u>10,643,082</u>   | <u>520,005</u>  |
| Excess of revenues over (under) expenditures . . . . . | <u>(68,667)</u>         | <u>52,873</u>       | <u>577,596</u>      | <u>524,723</u>  |
| <b>Other financing sources (uses):</b>                 |                         |                     |                     |   |
| Refund of prior year's expenditures . . . . .          | 77,564                  | 147,106             | 147,106             | -   |
| Transfers in . . . . .                                 | -                       | -                   | 15                  | 15  |
| Transfers (out) . . . . .                              | (260,000)               | (294,000)           | (307,500)           | (13,500)  |
| Advances in . . . . .                                  | -                       | 20,000              | 20,000              | -   |
| Advances (out) . . . . .                               | -                       | -                   | (103,278)           | (103,278)   |
| Proceeds from sale of assets . . . . .                 | -                       | 6,800               | 6,800               | -   |
| Total other financing sources (uses) . . . . .         | <u>(182,436)</u>        | <u>(120,094)</u>    | <u>(236,857)</u>    | <u>(116,763)</u>  |
| Net change in fund balance . . . . .                   | (251,103)               | (67,221)            | 340,739             | 407,960   |
| <b>Fund balance at beginning of year . . . . .</b>     | <b>4,763,304</b>        | <b>4,763,304</b>    | <b>4,763,304</b>    | <b>-</b>  |
| <b>Prior year encumbrances appropriated . . . . .</b>  | <b>160,628</b>          | <b>160,628</b>      | <b>160,628</b>      | <b>-</b>  |
| <b>Fund balance at end of year . . . . .</b>           | <b>\$ 4,672,829</b>     | <b>\$ 4,856,711</b> | <b>\$ 5,264,671</b> | <b>\$ 407,960</b>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

**BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position and changes in financial position/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 plus encumbrances.

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) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the changes in financial position/fund balance for the year on the budget basis to the GAAP basis for the general fund are as follows:

**Net Change in Fund Balance**

|   | General Fund |
|---|--------------|
| Budget basis                            | \$ 340,739   |
| Net adjustment for revenue accruals     | (218,468)    |
| Net adjustment for expenditure accruals | (85,689)     |
| Net adjustment for other sources/uses   | (38,828)     |
| Funds budgeted elsewhere                | 3,372        |
| Adjustment for encumbrances             | 20,482       |
| GAAP basis                              | \$ 21,608    |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the public school support fund, and unclaimed money fund and the termination benefits fund.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT 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   | 0.03694470%  | 0.03985120%  | 0.04274260%  | 0.04017600%  |
| District's proportionate share of the net pension liability  | \$ 2,443,600 | \$ 2,384,367 | \$ 2,447,948 | \$ 2,400,427 |
| District's covered payroll   | \$ 1,294,443 | \$ 1,345,830 | \$ 1,386,178 | \$ 1,807,207 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 188.78%      | 177.17%      | 176.60%      | 132.83%      |
| 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

| <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--------------|--------------|--------------|--------------|
| 0.04337126%  | 0.04386000%  | 0.04383000%  | 0.04383000%  |
| \$ 3,174,376 | \$ 2,502,437 | \$ 2,218,009 | \$ 2,606,192 |
| \$ 1,752,414 | \$ 1,818,217 | \$ 1,645,916 | \$ 1,777,139 |
| 181.14%      | 137.63%      | 134.76%      | 146.65%      |
| 62.98%       | 69.16%       | 71.70%       | 65.52%       |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT 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   | 0.03727397%  | 0.03885522%  | 0.03767911%  | 0.03905665%  |
| District's proportionate share net pension liability   | \$ 9,018,974 | \$ 8,592,598 | \$ 8,284,790 | \$ 9,277,991 |
| District's covered payroll   | \$ 4,560,129 | \$ 4,499,379 | \$ 4,418,300 | \$ 4,484,129 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 197.78%      | 190.97%      | 187.51%      | 206.91%      |
| 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

| <u>2017</u>   | <u>2016</u>   | <u>2015</u>  | <u>2014</u>   |
|---------------|---------------|--------------|---------------|
| 0.03951038%   | 0.04050000%   | 0.03988000%  | 0.03988000%   |
| \$ 13,225,315 | \$ 11,191,993 | \$ 9,701,247 | \$ 11,556,061 |
| \$ 4,679,329  | \$ 4,481,743  | \$ 4,388,546 | \$ 4,370,077  |
| 282.63%       | 249.72%       | 221.06%      | 264.44%       |
| 66.78%        | 72.09%        | 74.70%       | 69.30%        |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST NINE FISCAL YEARS |                  |                  |                  |
|--|------------------------|------------------|------------------|------------------|
|  | <u>2021</u>            | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
| Contractually required contribution                                  | \$ 181,014             | \$ 181,222       | \$ 181,687       | \$ 187,134       |
| Contributions in relation to the contractually required contribution | <u>(181,014)</u>       | <u>(181,222)</u> | <u>(181,687)</u> | <u>(187,134)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 1,292,957           | \$ 1,294,443     | \$ 1,345,830     | \$ 1,386,178     |
| Contributions as a percentage of covered payroll                     | 14.00%                 | 14.00%           | 13.50%           | 13.50%           |

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|------------------|------------------|------------------|------------------|------------------|
| \$ 253,009       | \$ 245,338       | \$ 239,641       | \$ 228,124       | \$ 245,956       |
| <u>(253,009)</u> | <u>(245,338)</u> | <u>(239,641)</u> | <u>(228,124)</u> | <u>(245,956)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 1,807,207     | \$ 1,752,414     | \$ 1,818,217     | \$ 1,645,916     | \$ 1,777,139     |
| 14.00%           | 14.00%           | 13.18%           | 13.86%           | 13.84%           |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST NINE FISCAL YEARS |                  |                  |                  |
|--|------------------------|------------------|------------------|------------------|
|  | <u>2021</u>            | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
| Contractually required contribution                                  | \$ 633,652             | \$ 638,418       | \$ 629,913       | \$ 618,562       |
| Contributions in relation to the contractually required contribution | <u>(633,652)</u>       | <u>(638,418)</u> | <u>(629,913)</u> | <u>(618,562)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 4,526,086           | \$ 4,560,129     | \$ 4,499,379     | \$ 4,418,300     |
| Contributions as a percentage of covered payroll                     | 14.00%                 | 14.00%           | 14.00%           | 14.00%           |

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



| <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|------------------|------------------|------------------|------------------|------------------|
| \$ 627,778       | \$ 655,106       | \$ 627,444       | \$ 570,511       | \$ 568,110       |
| <u>(627,778)</u> | <u>(655,106)</u> | <u>(627,444)</u> | <u>(570,511)</u> | <u>(568,110)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 4,484,129     | \$ 4,679,329     | \$ 4,481,743     | \$ 4,388,546     | \$ 4,370,077     |
| 14.00%           | 14.00%           | 14.00%           | 13.00%           | 13.00%           |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT 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   | 0.03836990%  | 0.04083980%  | 0.04316560%  | 0.04086480%  | 0.04397955%  |
| District's proportionate share net OPEB liability   | \$ 833,904   | \$ 1,027,035 | \$ 1,197,530 | \$ 1,096,704 | \$ 1,253,580 |
| District's covered payroll  | \$ 1,294,443 | \$ 1,345,830 | \$ 1,386,178 | \$ 1,807,207 | \$ 1,752,414 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 64.42%       | 76.31%       | 86.39%       | 60.69%       | 71.53%       |
| 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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT 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   | 0.03727397%  | 0.03885522%  | 0.03767911%  | 0.03905665%  | 0.03951038%  |
| District's proportionate share net OPEB liability/(asset)   | \$ (655,090) | \$ (643,536) | \$ (605,465) | \$ 1,523,846 | \$ 2,113,025 |
| District's covered payroll  | \$ 4,560,129 | \$ 4,499,379 | \$ 4,418,300 | \$ 4,484,129 | \$ 4,679,329 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.37%       | 14.30%       | 13.70%       | 33.98%       | 45.16%       |
| 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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST NINE FISCAL YEARS |                 |                 |                 |
|--|------------------------|-----------------|-----------------|-----------------|
|  | <u>2021</u>            | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     |
| Contractually required contribution                                  | \$ 24,802              | \$ 24,803       | \$ 31,657       | \$ 29,377       |
| Contributions in relation to the contractually required contribution | <u>(24,802)</u>        | <u>(24,803)</u> | <u>(31,657)</u> | <u>(29,377)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>            | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll   | \$ 1,292,957           | \$ 1,294,443    | \$ 1,345,830    | \$ 1,386,178    |
| Contributions as a percentage of covered payroll                     | 1.92%                  | 1.92%           | 2.35%           | 2.12%           |

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>    | <u>2013</u>    |
|-----------------|-----------------|-----------------|----------------|----------------|
| \$ 22,713       | \$ 22,372       | \$ 14,000       | \$ 2,000       | \$ 2,000       |
| <u>(22,713)</u> | <u>(22,372)</u> | <u>(14,000)</u> | <u>(2,000)</u> | <u>(2,000)</u> |
| <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>    |
| \$ 1,807,207    | \$ 1,752,414    | \$ 1,818,217    | \$ 1,645,916   | \$ 1,777,139   |
| 1.26%           | 1.28%           | 0.77%           | 0.12%          | 0.11%          |

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST NINE 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 | <u>-</u>               | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>            | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's covered payroll   | \$ 4,526,086           | \$ 4,560,129 | \$ 4,499,379 | \$ 4,418,300 |
| Contributions as a percentage of covered payroll                     | 0.00%                  | 0.00%        | 0.00%        | 0.00%        |

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|--------------|--------------|--------------|--------------|--------------|
| \$ -         | \$ -         | \$ -         | \$ 43,885    | \$ 43,701    |
| -            | -            | -            | (43,885)     | (43,701)     |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 4,484,129 | \$ 4,679,329 | \$ 4,481,743 | \$ 4,388,546 | \$ 4,370,077 |
| 0.00%        | 0.00%        | 0.00%        | 1.00%        | 1.00%        |

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO

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

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PENSION

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*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.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*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)



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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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.

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FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program / Cluster Title                                   | Assistance<br>Listing<br>Number | Pass Through Entity<br>Identifying Number/<br>Additional Award<br>Identification | Total<br>Expenditures of<br>Federal Awards |
|---|---------------------------------|--|--|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                 |  |  |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| <b>Child Nutrition Cluster:</b>   |                                 |  |  |
| School Breakfast Program  | 10.553                          | 3L70   | 65,091                                     |
| COVID-19 - School Breakfast Program   | 10.553                          | COVID-19, 3L70   | 7,445                                      |
| <b>Total School Breakfast Program</b>   |                                 |  | <u>72,536</u>                              |
| National School Lunch Program   | 10.555                          | 3L60   | 222,179                                    |
| COVID-19 - National School Lunch Program  | 10.555                          | COVID-19, 3L60   | 29,886                                     |
| National School Lunch Program - Food Donation   | 10.555                          | 3L60   | 25,587                                     |
| National School Lunch Program - After School Snack Program  | 10.555                          | 3L60   | 173  |
| <b>Total National School Lunch Program</b>  |                                 |  | <u>277,825</u>                             |
| <b>Total Child Nutrition Cluster</b>  |                                 |  | <u><u>350,361</u></u>                      |
| Total U.S. Department of Agriculture  |                                 |  | <u><u>350,361</u></u>                      |
| <b>U.S. DEPARTMENT OF TREASURY</b>  |                                 |  |  |
| <i>Passed Through Clermont County</i>   |                                 |  |  |
| COVID-19 - Coronavirus Relief Fund  | 21.019                          | COVID-19, 5CV1   | 25,184                                     |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| COVID-19 - Coronavirus Relief Fund - Broadband Ohio Connectivity  | 21.019                          | COVID-19, 5CV1   | 151,177                                    |
| COVID-19 - Coronavirus Relief Fund - Rural and Small Town School District                                   | 21.019                          | COVID-19, 5CV1   | 46,575                                     |
| <b>Total U.S. Department of Treasury and Coronavirus Relief Fund</b>  |                                 |  | <u>222,936</u>                             |
| <b>U.S. DEPARTMENT OF Education</b>   |                                 |  |  |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| Title I Grants to Local Educational Agencies  | 84.010                          | 3M00   | 30,407                                     |
| Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant | 84.010                          | 3M00   | 2,696                                      |
| Title I Grants to Local Educational Agencies  | 84.010A                         | 3M00   | 198,655                                    |
| Title I Grants to Local Educational Agencies - Supplemental School Improvement                              | 84.010A                         | 3M00   | 35,429                                     |
| Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant | 84.010A                         | 3M00   | 3,295                                      |
| <b>Total Title I Grants to Local Educational Agencies</b>   |                                 |  | <u>270,482</u>                             |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| <b>Special Education Cluster:</b>   |                                 |  |  |
| Special Education-Grants to States (IDEA, Part B)   | 84.027A                         | 3M20   | 206,171                                    |
| IDEA Early Childhood Special Education  | 84.173A                         | 3C50   | 5,836                                      |
| IDEA Early Childhood Special Education - Restoration  | 84.173A                         | 3C50   | 260  |
| <b>Total Special Education Cluster</b>  |                                 |  | <u>212,267</u>                             |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| Supporting Effective Instruction State Grants   | 84.367A                         | 3Y60   | 28,752                                     |
| <b>Total Supporting Effective Instruction State Grants</b>  |                                 |  | <u>28,752</u>                              |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| Student Support and Academic Enrichment Program   | 84.424A                         | 3H10   | 883  |
| Student Support and Academic Enrichment Program   | 84.424A                         | 3H10   | 16,727                                     |
| <b>Total Student Support and Academic Enrichment Program</b>  |                                 |  | <u>17,610</u>                              |
| <i>Passed Through Ohio Department of Education</i>  |                                 |  |  |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund                                    | 84.425D                         | COVID-19, 3HS0   | 119,232                                    |
| <b>Total Elementary and Secondary School Emergency Relief (ESSER) Fund</b>                                  |                                 |  | <u>119,232</u>                             |
| Total U.S. Department of Education  |                                 |  | <u><u>648,343</u></u>                      |
| <b>Total Expenditures of Federal Awards</b>   |                                 |  | <u><u>\$1,221,640</u></u>                  |

The accompanying notes are an integral part of this schedule.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE 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 Felicity-Franklin Local School District (the District) under programs of the federal government for the 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 net position of the District. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE 2 – INDIRECT 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.



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

Felicity Franklin Local School District  
Clermont County  
105 Market Street  
Felicity, Ohio 45120

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Felicity Franklin Local School District, Clermont County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 25, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
August 25, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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

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

Felicity Franklin Local School District  
Clermont County  
105 Market Street  
Felicity Ohio, 45120

To the Board of Education:

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

We have audited Felicity Franklin Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Felicity Franklin Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

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

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

In our opinion, Felicity Franklin Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
August 25, 2022



**FELICITY FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | 84.010 – Title I<br>10.553, 10.555 – Child Nutrition Cluster |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No   |

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# OHIO AUDITOR OF STATE KEITH FABER



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**

**CLERMONT 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 9/8/2022**

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)