

**FRANKLIN-MONORE  
LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE BIENNIAL FISCAL YEARS  
ENDED JUNE 30, 2022 AND JUNE 30, 2021**

***Zupka & Associates***  
Certified Public Accountants



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Franklin-Monroe Local School District  
PO Box 78  
Pittsburg, OH 45358

We have reviewed the *Independent Auditor's Report* of the Franklin-Monroe Local School District, Darke County, prepared by Zupka & Associates, for the audit period July 1, 2020 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

March 06, 2023

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**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
AUDIT REPORT  
FOR THE BIENNIAL FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

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**FRANKLIN-MONORE  
LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2022**

***Zupka & Associates***  
Certified Public Accountants

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Franklin-Monroe Local School District  
Pittsburg, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

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

#### *Opinions*

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District, Darke County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District as of June 30, 2022, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 2.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

Ohio Administrative Code 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Also, as discussed in Note 19 to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to these matters.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

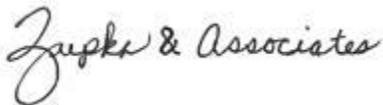
### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

December 16, 2022

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**Franklin Monroe Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2022*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,145,903</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$25,620
Debt Service	613,699
Other Purposes	622,557
Unrestricted	<u>6,884,027</u>
<i>Total Net Position</i>	<u>\$8,145,903</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2022

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,615,673	\$229,943	\$267,192	(\$3,118,538)
Special	793,206	20,809	136,755	(635,642)
Vocational	5,476	-	-	(5,476)
Student Intervention Services	26	-	-	(26)
Other	16,929	-	5,288	(11,641)
Support Services:				
Pupil	368,795	-	392,399	23,604
Instructional Staff	234,049	-	-	(234,049)
Board of Education	35,235	-	-	(35,235)
Administration	713,357	-	2,009	(711,348)
Fiscal	277,524	-	-	(277,524)
Operation and Maintenance of Plant	1,144,130	1,172	163,184	(979,774)
Pupil Transportation	394,099	3,288	6,407	(384,404)
Central	7,938	-	-	(7,938)
Operation of Non-Instructional Services	384,372	14,407	365,951	(4,014)
Extracurricular Activities	526,417	218,494	17,450	(290,473)
Capital Outlay	750	-	-	(750)
Debt Service:				
Principal Retirement	215,000	-	-	(215,000)
Interest and Fiscal Charges	161,325	-	-	(161,325)
<i>Total Governmental Activities</i>	<u>\$8,894,301</u>	<u>\$488,113</u>	<u>\$1,356,635</u>	<u>(7,049,553)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				1,743,947
Capital Outlay				26,102
Debt Service				320,225
Capital Maintenance				27,351
Income Taxes Levied for General Purposes				838,810
Grants and Entitlements not Restricted to Specific Programs				4,080,773
Gifts and Donations not Restricted to Specific Programs				500
Interest				26,492
Miscellaneous				81,954
<i>Total General Receipts</i>				<u>7,146,154</u>
Change in Net Position				96,601
<i>Net Position Beginning of Year</i>				<u>8,049,302</u>
<i>Net Position End of Year</i>				<u>\$8,145,903</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2022*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,884,027	\$1,261,876	\$8,145,903
<b>Fund Balances</b>			
Restricted	\$0	\$1,266,330	\$1,266,330
Committed	-	3,000	3,000
Assigned	804,780	-	804,780
Unassigned	6,079,247	(7,454)	6,071,793
<i>Total Fund Balances</i>	<u>\$6,884,027</u>	<u>\$1,261,876</u>	<u>\$8,145,903</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2022*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,743,947	\$373,678	\$2,117,625
Income Tax	838,810	-	838,810
Intergovernmental	4,334,586	1,078,636	5,413,222
Interest	26,492	-	26,492
Tuition and Fees	165,719	-	165,719
Rent	952	-	952
Extracurricular Activities	68,727	218,494	287,221
Contributions and Donations	7,236	17,450	24,686
Charges for Services	-	14,407	14,407
Miscellaneous	101,768	-	101,768
<i>Total Receipts</i>	<u>7,288,237</u>	<u>1,702,665</u>	<u>8,990,902</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	3,353,375	262,298	3,615,673
Special	766,634	26,572	793,206
Vocational	5,476	-	5,476
Student Intervention Services	26	-	26
Other	11,641	5,288	16,929
Support Services:			
Pupil	144,787	224,008	368,795
Instructional Staff	232,482	1,567	234,049
Board of Education	35,235	-	35,235
Administration	704,358	8,999	713,357
Fiscal	269,483	8,041	277,524
Operation and Maintenance of Plant	889,742	254,388	1,144,130
Pupil Transportation	393,017	1,082	394,099
Central	7,938	-	7,938
Operation of Non-Instructional Services	142,165	242,207	384,372
Extracurricular Activities	245,868	280,549	526,417
Capital Outlay	-	750	750
Debt Service			
Principal Retirement	-	215,000	215,000
Interest and Fiscal Charges	-	161,325	161,325
<i>Total Disbursements</i>	<u>7,202,227</u>	<u>1,692,074</u>	<u>8,894,301</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>86,010</u>	<u>10,591</u>	<u>96,601</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	40,000	40,000
Transfers Out	(40,000)	-	(40,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	46,010	50,591	96,601
<i>Fund Balances Beginning of Year</i>	<u>6,838,017</u>	<u>1,211,285</u>	<u>8,049,302</u>
<i>Fund Balances End of Year</i>	<u>\$6,884,027</u>	<u>\$1,261,876</u>	<u>\$8,145,903</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2022*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,723,632	\$1,723,632	\$1,743,947	\$20,315
Income Tax	733,959	733,959	838,810	104,851
Intergovernmental	3,684,128	3,684,128	4,334,586	650,458
Interest	45,326	45,326	26,492	(18,834)
Tuition and Fees	1,022,378	1,022,378	165,719	(856,659)
Rent	9	9	952	943
Extracurricular Activities	20,850	20,850	26,505	5,655
Contributions and Donations	43	43	500	457
Miscellaneous	98,053	98,053	34,161	(63,892)
<i>Total Receipts</i>	<u>7,328,378</u>	<u>7,328,378</u>	<u>7,171,672</u>	<u>(156,706)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,040,675	3,491,677	3,383,493	108,184
Special	815,240	815,241	771,942	43,299
Vocational	3,377	5,377	5,711	(334)
Student Intervention Services	-	50	26	24
Other	26,730	26,680	11,483	15,197
Support Services:				
Pupil	266,855	266,854	158,553	108,301
Instructional Staff	276,541	276,540	241,546	34,994
Board of Education	36,641	36,641	35,235	1,406
Administration	740,221	740,221	710,156	30,065
Fiscal	279,193	279,193	274,678	4,515
Operation and Maintenance of Plant	697,578	923,216	979,096	(55,880)
Pupil Transportation	431,056	480,057	515,911	(35,854)
Central	4,615	4,615	9,833	(5,218)
Operation of Non-Instructional Services	174,804	174,805	141,840	32,965
Extracurricular Activities	222,860	264,860	254,454	10,406
<i>Total Disbursements</i>	<u>8,016,386</u>	<u>7,786,027</u>	<u>7,493,957</u>	<u>292,070</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(688,008)</u>	<u>(457,649)</u>	<u>(322,285)</u>	<u>135,364</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	25,000	25,000	67,607	42,607
Refund of Prior Year Receipts	-	-	(2,647)	(2,647)
Advances In	51,000	51,000	-	(51,000)
Transfers Out	(40,000)	(40,000)	(40,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>36,000</u>	<u>36,000</u>	<u>24,960</u>	<u>(11,040)</u>
<i>Net Change in Fund Balance</i>	<u>(652,008)</u>	<u>(421,649)</u>	<u>(297,325)</u>	<u>124,324</u>
<i>Fund Balance Beginning of Year</i>	6,588,291	6,588,291	6,588,291	-
Prior Year Encumbrances Appropriated	191,221	191,221	191,221	-
<i>Fund Balance End of Year</i>	<u>\$6,127,504</u>	<u>\$6,357,863</u>	<u>\$6,482,187</u>	<u>\$124,324</u>

See accompanying notes to the basic financial statements

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1959 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 60 square miles. The School District has 47 certified staff and 38 classified staff and has an average daily membership (ADM) of 500.2 students. It is located in Darke County, and includes the Village of Pittsburg and portions of Franklin, Monroe, Greenville, Twin and Van Buren Townships.

#### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading.

#### ***A. Primary Government***

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Franklin Monroe Local School District, this includes general operations, food service, and student related activities of the School District.

#### ***B. Jointly Governed Organizations and Insurance Purchasing Pools***

The School District participates in two jointly governed organizations and two insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities.

These organizations are:

Jointly Governed Organizations:

META Solutions

Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council

Ohio School Insurance Plan

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

### **Note 2 - Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

#### ***A. Basis of Presentation***

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

#### ***Government-wide Financial Statement:***

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. General governmental activities are financed through taxes, intergovernmental receipts, or other non-exchange transactions. The School District does not have any business-type activities.

The statement of net position presents the cash balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

#### ***Fund Financial Statements***

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

#### ***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as governmental.

***Governmental Funds:*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following is the School District's major governmental fund:

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

**General Fund** The general fund accounts for all financial resources, except for restricted resources required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

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

#### **C. Basis of Accounting**

The School District's financial statements are prepared using the basis of cash accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### **D. Cash, Cash Equivalents and Investments**

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

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2022, the School District invested in certificates of deposit, Allspring Government Money Market, US Treasury Bills, Invesco STIT Government & Agency Mutual Fund and STAR Ohio. The School District investments are valued at cost.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

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 the Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pool and Pool Participants." The School District measures their 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. 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 participants will be combined for these purposes.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2022 was \$26,492, including \$4,104 assigned from other School District funds.

#### ***E. Inventory and Prepaid Items***

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

#### ***F. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are not reflected as assets in the accompanying financial statements.

#### ***G. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

#### ***H. Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

#### ***I. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

#### ***J. Long-term Obligations***

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

Since recording a capital asset when entering into a capital lease is not the result of a cash transactions, neither an other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

#### ***K. Leases***

For fiscal year 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The School District is the lessor/lessee in various leases related to equipment under noncancelable leases. Lease receivables/payables are not reflected under the School District's cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

#### ***L. Fund Balance***

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 the Board of Education.

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

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

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

#### **M. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. Net position was not restricted by enabling legislation.

#### **N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.

#### **O. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension liability and net OPEB liability, information about the fiduciary net position of the pension and 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 and OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB systems report investments at fair value.

#### **P. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate.

The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the function level within the general fund and the fund level for all other funds as its legal level of control. The Treasurer makes budgetary allocations at the object level within all funds.

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

### **Note 3- Deposits and Investments**

#### ***A. Investment Policies***

The School District follows the investment guidelines established by State statutes, which require the classification of the monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

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

Interim monies are to 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 3- Deposits and Investments** (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments, 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Certain bankers' acceptances (for a period not to exceed one hundred eight days) and commercial paper (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

#### **B. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$590,646 and the bank balance was \$863,707. \$250,000 of the bank balance was insured by federal depository insurance. As of June 30, 2022, \$613,707 of the School District's bank balance was exposed to custodial risk and was uninsured and collateralized. The School District's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

## Franklin Monroe Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022

### **Note 3- Deposits and Investments** (Continued)

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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 market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

#### **C. Investments**

Investments are reported at cost. The School District had the following investments at June 30, 2022:

<u>Investments:</u>	<u>Maturity Date</u>	<u>Amount</u>
Allspring Government Money Market	25 days	32,268
Negotiable CDs	2022	495,000
Invesco STIT Government & Agency Mutual Fund	2022	11,220
US Treasury Bills	2022-2023	2,628,155
STAR Ohio	35.3 days	4,388,614
		<u>\$ 7,555,257</u>

*Interest Rate Risk* – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. Standard & Poor’s rates the School District’s investment in STAR Ohio, INVESCO STIT Government & Agency Mutual Fund and Allspring Government Money Market AAAM.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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**Note 3- Deposits and Investments** (Continued)

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The School District has invested more than 5 percent in the following:

<u>Investments:</u>	<u>Percentage</u>
Negotiable CDs	7%
STAR Ohio	58%
US Treasury Bills	35%

**Note 4 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually.

If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke and Miami Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2022 taxes were collected are:

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 4 - Property Taxes** (Continued)

	2021 Second- Half Collections		2022 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$87,142,680	97.11 %	\$87,762,700	97.00%
Public Utility Personal	<u>2,593,160,</u>	<u>2.89</u>	<u>2,710,070</u>	<u>3.00</u>
Total	<u>\$89,735,840</u>	<u>100.00 %</u>	<u>\$90,472,770</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$40.69		\$40.69	

The tax rate includes 3.96 mills for the Miami Valley Career Technology Center.

On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds with a principal amount of \$6,218,195, along with interest. The bond proceeds were used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The levy is for 28 years commencing in 2008, with taxes first due in calendar year 2009. The State funded portion of the project was \$20,594,714. In addition, the voters approved a .5 mill maintenance levy that the County Auditor estimates will generate \$29,190 per year for 23 years.

**Note 5 - Income Tax**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 6 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2022, the School District participated in the Ohio School Insurance Plan for property and liability insurance. Fleet insurance is through RJ Warner Insurance.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 6 - Risk Management** (Continued)

Coverage provided is as follows:

Blanket Building – replacement cost (\$5,000 deductible)	\$22,243,653
Blanket Business Personal Property – replacement cost (\$5,000 deductible)	3,400,000
Building	290,150
Crime Insurance (\$500 deductible)	
Employee Theft	100,000
Forgery or Alteration	100,000
Inside the Premises – Theft of Money and Securities	100,000
Outside the Premises – Theft of Money and Securities	100,000
Money Orders and Counterfeit Money	100,000
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	1,000,000
Medical Payments (each person)	5,000
Comprehensive (\$500 deductible)	ACV
Collision (\$500 deductible)	ACV
Education General Liability:	
General Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Personal and Advertising – Injury Limit	1,000,000
Each Occurrence	1,000,000
Crisis Event Response Communication	100,000
Post Crisis Event Expense	100,000
Crisis Event Business Income and Extra Expense	100,000
Sexual Misconduct	1,000,000
Ohio Employers Liability Defense	1,000,000
Data Network Defender	50,000
Contractor’s Equipment	25,000
Electronic Data Processing Property (\$2,500 deductible)	485,000
Commercial Umbrella Liability Coverage	
Each Occurrence	1,000,000
Aggregate	3,000,000
School Leaders Risk (\$5,000 deductible)	1,000,000
Errors and Omissions Liability (\$5,000 deductible):	
Policy Damages	1,000,000
IEP Hearing Limit	50,000
Desegregation Limit	100,000
Breach of Contract Limit	100,000
Breach of Fiduciary Duty Limit	25,000
Data Compromise Coverage (\$1,000 deductible)	50,000

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 6 - Risk Management** (Continued)

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

#### ***B. Workers' Compensation***

For fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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 ensures 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 Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

#### ***C. Employee Medical Benefits***

For fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

### **Note 7 - Defined Benefit Pension Plans**

The net pension/OPEB liability (asset) is disclosed as a commitment (asset) and not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

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.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 7 - Defined Benefit Pension Plans** (Continued)

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide 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 pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/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 systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

***Plan Description*** – School 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 60 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$145,232 for fiscal year 2022.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 Web site 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 Plan. Benefits are established by Ohio Revised Code Chapter 3307.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 7 - Defined Benefit Pension Plans** (Continued)

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent 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 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent 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 at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the 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. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

The School District’s contractually required contribution to STRS was \$453,302 fiscal year 2022.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02900500%	0.02598119%	
Current Measurement Date	0.02832900%	0.02418664%	
Change in Proportionate Share	-0.0006760%	-0.00179455%	
Proportionate Share of the Net Pension Liability	\$1,045,258	\$3,092,479	\$4,137,737

**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, 2021, compared with June 30, 2020, are presented on the following page:

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 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 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

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

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability	\$1,739,053	\$1,045,258	\$460,151

**Changes since measurement date** Effective July 1, 2022, SERS made the following changes: Retiree health Care – changes to monthly premium deductions associated with retiree health insurance and income related to Medicare Parts B & D reimbursements. Cost of living adjustments – Changes to the cost-of-living adjustments made to retirees’ pensions. Normal Retirement Age – changes to the “Normal Retirement Age” for members of Tiers II and IIA.

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented on the following page:

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 7 - Defined Benefit Pension Plans** (Continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$5,791,056	\$3,092,479	\$812,188

**Changes Between the Measurement Date and the Reporting date** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

**Note 8 – Defined Benefit OPEB Plans**

The net OPEB liability (asset) is disclosed as a commitment (asset) and not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

See Note 7 for a description of the net OPEB liability.

**A. School Employees Retirement System**

**Health Care Plan Description** - The School 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.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 8 – Defined Benefit OPEB Plans** (continued)

The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$18,266.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,266 for fiscal year 2022.

### ***B. 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. 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 8 – 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. All benefit recipients 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 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.03007630%	0.02598119%	
Current Measurement Date	0.02913010%	0.02418664%	
Change in Proportionate Share	-0.00094620%	-0.00179455%	
Proportionate Share of the Net OPEB			
Liability (Asset)	\$551,311	(\$509,955)	\$41,356

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented on the following page:

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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**Note 8 – Defined Benefit OPEB Plans** (continued)

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	<u>3.00</u>	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend 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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.4%) and higher (7.75% decreasing to 5.4%) than the current rate.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$683,141	\$551,311	\$445,996

	1% Decrease 5.75% decreasing to 3.40%	Current Discount Rate 6.75% decreasing to 4.40%	1% Increase 7.75% decreasing to 5.40%
School District's proportionate share of the net OPEB liability	\$424,464	\$551,311	\$720,739

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Cost-of-Living Increase	0 percent	
Inflation	2.5 percent	
Discount Rate of Return	7 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	4.93 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.33 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 percent initial, 4 percent ultimate	11.87 percent initial, 4 percent ultimate

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

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

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of 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 liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**Sensitivity of the School 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, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 8 – Defined Benefit OPEB Plans** (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$430,324)	(\$509,955)	(\$576,476)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$573,781)	(\$509,955)	(\$431,030)

**Changes Between the Measurement Date and the Reporting date** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**Note 9 – Debt**

The changes in the School District's long-term obligations during fiscal year 2022 were as follows:

	Amount Outstanding 6/30/21	Additions	Deletions	Amount Outstanding 6/30/22	Amount Due in One Year
<b>Governmental Activities</b>					
2016 Refunding Bonds					
Serial Bonds 2.0%-4%	\$4,460,000	\$0	(\$215,000)	\$4,245,000	\$220,000

**2016 School Improvement Refunding Bonds** - On April 18, 2016, the School District issued \$4,794,999 in refunding bond for the purpose of advance refunding a portion (\$4,795,000) of the 2009 School Improvement General Obligation Bonds. The new bonds have interest rates ranging from 1.35 to 4 percent. The bonds will be retired with a voted property tax levy received in the Bond Retirement debt service fund.

At June 30, 2022, the School District's overall legal debt margin was \$4,511,248 with an un-voted debt margin of \$90,473. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2022, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2023	\$220,000	\$154,800
2024	230,000	148,050
2025	235,000	141,075
2026	240,000	133,950
2027	245,000	126,675
2028-2032	1,385,000	480,700
2033-2037	1,690,000	174,400
<b>Total</b>	<b>\$4,245,000</b>	<b>\$1,359,650</b>

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 9 – Debt**

***Leases***

The School District leases copiers/printers from Prosource. Under the lease agreement the School District will make monthly payments of \$3,078. At the end of the lease term, the School District renew the lease or return the equipment. The following schedule shows the required yearly payments under the lease contract as of June 30, 2022:

Year	Amount
2023	\$ 36,936
2024	36,936
2025	36,936
2026	3,078
Total	\$ 113,886

**Note 10 - Interfund Transactions**

During fiscal year 2022, the General Fund transferred \$40,000 to the cafeteria special revenue fund, which is shown with other governmental funds, to support the lunchroom program.

**Note 11 – Fund Balances**

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

		Other Governmental Funds	Total Governmental Funds
Fund Balance	General		
Restricted for:			
Food Service Operations	\$ -	\$ 184,524	\$ 184,524
Classroom Maintenance	-	241,426	241,426
Athletics	-	89,961	89,961
Student Activities	-	88,972	88,972
Capital Improvements	-	25,620	25,620
Debt Service	-	613,699	613,699
Federal and State Grants	-	22,128	22,128
Total Restricted	-	1,266,330	1,266,330
Committed for:			
Scholarships		3,000	3,000
Total Committed	-	3,000	3,000
Assigned for:			
Unpaid Obligations	337,532	-	337,532
Susequent Year Appropriations	402,918	-	402,918
Public School Support	64,330	-	64,330
Total Assigned	804,780	-	804,780
Unassigned	6,079,247	(7,454)	6,071,793
Total Fund Balance	\$ 6,884,027	\$ 1,261,876	\$ 8,145,903

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 12 - Set-Aside Calculations**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2022.

	Capital	
	Acquisitions	
Set-aside Cash Balance as of June 30, 2021	\$0	
Current Year Set-aside Requirement	101,085	
Qualifying Offsets	(101,085)	
Total	\$0	

The School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside. The negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools**

***A. Jointly Governed Organizations***

*Metropolitan Educational Technology Association (META) Solutions* – The School District is a participant in META, which is a computer consortium. META provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. META serves hundreds of schools throughout Ohio. META operates under a Board of Directors consisting of eight members. The School District paid META \$17,578 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC for fiscal year 2022 were \$772,310. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kevin Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools** (Continued)

***B. Insurance Purchasing Pools***

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan* - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an nine member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan* – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

In addition, the cooperative hires attorneys, auditors and actuaries to assist in running the day-to-day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During fiscal year 2022, the School District paid \$772,310 to SOEPC for medical, dental and vision benefits. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Note 14 – Contractual Commitments**

At June 30, 2022, the School District had the following outstanding contractual commitments:

Vendor	Outstanding at 6/30/22
Cardinal Bus Sales & Service	\$ 93,936
Prodigy Building Solutions, Inc	84,427
Groovfold Inc.; DBA, All Wood Lockers	30,142
Houghton Mifflin Harcourt	18,722

**Note 15 - Contingencies**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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**Note 15 – Contingencies** (continued)

**B. Litigation**

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

**C. Foundation Funding**

School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As a result of the adjustments, ODE owed \$52,720 to the District. This amount has not been included in the financial statements.

**Note 16 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a part of restricted, committed, or assigned of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 46,010
Encumbrances	(337,532)
Perspective Differences	(5,803)
Budgetary Basis	\$ (297,325)

**Note 17 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets/deferred outflows, liabilities/deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022*

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### **Note 18 - Change in Accounting Principles and Restatement of Fund Balances and Net Position**

For fiscal year 2022, the School District implemented GASB Statement No. 87, *Leases and GASB Implementation Guide*. The implementation of these statements had no effect on School District's fund balance/net position. See note 9 for lease disclosures.

The School District also implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 89, *Accounting for Interest Costs before the End of a Construction Period*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, GASB Implementation Guide No. 2020-1, *Implementation Guidance Update – 2020*. The implementation of these statements had no effect on School District's fund balance/net position.

### **Note 19 – COVID-19 Pandemic**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

### **Note 20 – Fund Deficit**

At June 30, 2022, the ESSER II Funds Grant and the Title I Disadvantaged Children Grant had deficit balances of \$3,857 and \$3,597. These deficits will be eliminated early in fiscal year 2023 when additional grant dollars are received.

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 36,492	\$ 0
COVID-19 - School Breakfast Program	10.553	22,421	0
National School Lunch Program	10.555	155,908	18,506
Total Child Nutrition Cluster		<u>214,821</u>	<u>18,506</u>
 Child Nutrition Discretionary Grants Limited Availability	 10.579	 <u>20,000</u>	 <u>0</u>
 COVID-19 - Pandemic EBT Administrative Costs	 10.649	 <u>614</u>	 <u>0</u>
<b>Total U.S. Department of Agriculture</b>		<u>235,435</u>	<u>18,506</u>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	64,448	0
Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant	84.010	2,096	0
<i>Total ALN#84.010</i>		<u>66,544</u>	<u>0</u>
 Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	<u>26,572</u>	<u>0</u>
Total Special Education Cluster		<u>26,572</u>	<u>0</u>
 Rural Education	 84.358	 <u>40,401</u>	 <u>0</u>
 Improving Teacher Quality State Grants	 84.367	 <u>3,905</u>	 <u>0</u>
 Student Support and Academic Enrichment Program	 84.424	 <u>10,000</u>	 <u>0</u>
 Education Stabilization Fund:			
COVID-19 - ESSER II	84.425D	149,832	0
COVID-19 - ARP ESSER	84.425U	224,621	0
<i>Total ALN #84.425</i>		<u>374,453</u>	<u>0</u>
<b>Total U.S. Department of Education</b>		<u>521,875</u>	<u>0</u>
<b><u>U.S. Department of Treasury</u></b>			
<i>Passed through Franklin Township</i>			
COVID-19 - Coronavirus Relief Fund	21.019	<u>10,000</u>	<u>0</u>
<b>Total U.S. Department of Treasury</b>		<u>10,000</u>	<u>0</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through Darke County General Health District</i>			
COVID-19 - Darke County Health Grant	93.323	<u>311</u>	<u>0</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>311</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 767,621</u>	<u>\$ 18,506</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Franklin-Monroe Local School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented 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 Franklin-Monroe Local School District, it is not intended to and does not present the cash financial position or changes in cash financial position of the Franklin-Monroe Local School District.

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

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

**NOTE 3: INDIRECT COST RATE**

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

**NOTE 4: CHILD NUTRITION CLUSTER**

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

**NOTE 5: FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Franklin-Monroe Local School District  
Pittsburg, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District, Darke County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2022, wherein we noted that the District uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

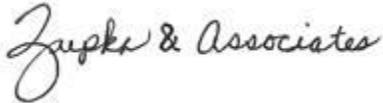
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as **Findings 2022-001**.

### **Franklin-Monroe Local School District Responses to Findings**

*Government Auditing Standards* requires the auditor of perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

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



Zupka & Associates  
Certified Public Accountants

December 16, 2022

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

Board of Education  
Franklin-Monroe Local School District  
Pittsburg, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

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

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

We have audited the Franklin-Monroe Local School District, Darke County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Franklin-Monroe Local School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

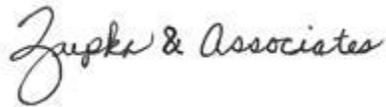
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Zupka & Associates  
Certified Public Accountants

December 16, 2022

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

2022(i)	Type of Financial Statement Opinion	Unmodified
2022(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2022(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2022(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2022(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2022(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2022(v)	Type of Major Programs' Compliance Opinions	Unmodified
2022(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2022(vii)	Major Programs (list):  Education Stabilization Fund - ALN #84.425D and ALN #84.425U	
2022(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2022(ix)	Low Risk Auditee?	No

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

**Finding 2022-001 – Noncompliance Finding – Annual Financial Report**

Condition/Criteria

Ohio Revised Code Section 117.38(A) provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office”. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Revised Code Section 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District’s ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

District Response

Due to the cost of a GAAP conversion, along with the cost associated with auditing the GAAP financial report, the Franklin-Monroe Board of Education has chosen to prepare their financial statements using another comprehensive basis of accounting (OCBOA).

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

None.

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
 DARKE COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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The prior audit report, as of June 30, 2021, included noncompliance findings.

Finding Number	Finding Summary	Status	Additional Information
2021-001	Noncompliance - Annual Financial Report	Not Corrected	Repeated as Finding 2022-001

The prior audit report, as of June 30, 2021, included management letter recommendations. Management letter recommendations as of June 30, 2021, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

**FRANKLIN-MONROE  
LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

**AUDIT REPORT**

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

***Zupka & Associates***  
**Certified Public Accountants**

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Franklin-Monroe Local School District  
Pittsburg, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

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

#### *Opinions*

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District, Darke 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District as of June 30, 2021, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 2.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

Ohio Administrative Code 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Also, as discussed in Note 19 to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to these matters.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

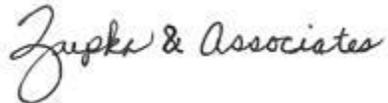
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

December 16, 2022

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**Franklin Monroe Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2021*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,049,302</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$41,767
Debt Service	628,927
Other Purposes	540,591
Unrestricted	<u>6,838,017</u>
<i>Total Net Position</i>	<u>\$8,049,302</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2021*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,949,289	\$1,127,176	\$190,448	\$0	(\$2,631,665)
Special	783,402	123,540	88,169	-	(571,693)
Vocational	2,720	-	2,071	-	(649)
Student Intervention Services	26	-	-	-	(26)
Other	10,621	-	-	-	(10,621)
Support Services:					
Pupil	287,913	200	122,393	-	(165,320)
Instructional Staff	238,048	-	2,390	-	(235,658)
Board of Education	27,934	-	-	-	(27,934)
Administration	671,226	-	168	-	(671,058)
Fiscal	293,584	-	-	-	(293,584)
Operation and Maintenance of Plant	715,092	10	88,104	-	(626,978)
Pupil Transportation	403,956	1,058	209	35,262	(367,427)
Central	1,204	-	-	-	(1,204)
Operation of Non-Instructional Services	308,110	10,763	120,665	-	(176,682)
Extracurricular Activities	304,824	131,026	15,965	-	(157,833)
Capital Outlay	750	-	-	-	(750)
Debt Service:					
Principal Retirement	210,000	-	-	-	(210,000)
Interest and Fiscal Charges	166,650	-	-	-	(166,650)
<i>Total Governmental Activities</i>	<u>\$8,375,349</u>	<u>\$1,393,773</u>	<u>\$630,582</u>	<u>\$35,262</u>	(6,315,732)
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					1,765,792
Capital Outlay					26,282
Debt Service					329,867
Capital Maintenance					27,578
Income Taxes Levied for General Purposes					741,187
Grants and Entitlements not Restricted to Specific Programs					3,574,927
Gifts and Donations not Restricted to Specific Programs					5,050
Interest					52,777
Miscellaneous					181,831
<i>Total General Receipts</i>					<u>6,705,291</u>
Change in Net Position					389,559
<i>Net Position Beginning of Year</i>					<u>7,659,743</u>
<i>Net Position End of Year</i>					<u>\$8,049,302</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2021*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,838,017	\$1,211,285	\$8,049,302
<b>Fund Balances</b>			
Restricted	\$0	\$1,208,208	\$1,208,208
Committed	-	3,086	3,086
Assigned	249,748	-	249,748
Unassigned	6,588,269	(9)	6,588,260
<i>Total Fund Balances</i>	<u>\$6,838,017</u>	<u>\$1,211,285</u>	<u>\$8,049,302</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,765,792	\$383,727	\$2,149,519
Income Tax	741,187	-	741,187
Intergovernmental	3,592,155	625,037	4,217,192
Interest	52,777	-	52,777
Tuition and Fees	1,190,418	-	1,190,418
Rent	10	-	10
Extracurricular Activities	50,844	131,026	181,870
Contributions and Donations	12,664	15,965	28,629
Charges for Services	-	10,189	10,189
Miscellaneous	192,543	574	193,117
<i>Total Receipts</i>	<u>7,598,390</u>	<u>1,166,518</u>	<u>8,764,908</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	3,773,126	176,163	3,949,289
Special	781,885	1,517	783,402
Vocational	2,720	-	2,720
Student Intervention Services	26	-	26
Other	10,621	-	10,621
Support Services:			
Pupil	212,132	75,781	287,913
Instructional Staff	235,658	2,390	238,048
Board of Education	27,934	-	27,934
Administration	671,058	168	671,226
Fiscal	285,245	8,339	293,584
Operation and Maintenance of Plant	611,161	103,931	715,092
Pupil Transportation	368,485	35,471	403,956
Central	1,204	-	1,204
Operation of Non-Instructional Services	129,455	178,655	308,110
Extracurricular Activities	155,578	149,246	304,824
Capital Outlay	-	750	750
Debt Service			
Principal Retirement	-	210,000	210,000
Interest and Fiscal Charges	-	166,650	166,650
<i>Total Disbursements</i>	<u>7,266,288</u>	<u>1,109,061</u>	<u>8,375,349</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>332,102</u>	<u>57,457</u>	<u>389,559</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	309	309
Advances In	-	20,000	20,000
Advances Out	(20,000)	-	(20,000)
Transfers Out	-	(309)	(309)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	312,102	77,457	389,559
<i>Fund Balances Beginning of Year</i>	<u>6,525,915</u>	<u>1,133,828</u>	<u>7,659,743</u>
<i>Fund Balances End of Year</i>	<u>\$6,838,017</u>	<u>\$1,211,285</u>	<u>\$8,049,302</u>

See accompanying notes to the basic financial statements

**Franklin Monroe Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,755,758	\$1,755,758	\$1,765,792	\$10,034
Income Tax	680,988	680,988	741,187	60,199
Intergovernmental	3,229,312	3,229,312	3,592,155	362,843
Interest	59,513	59,513	52,777	(6,736)
Tuition and Fees	1,202,174	1,202,174	1,190,418	(11,756)
Rent	1,000	1,000	10	(990)
Extracurricular Activities	21,000	21,000	24,277	3,277
Contributions and Donations	5,000	10,000	5,050	(4,950)
Miscellaneous	1,800	1,800	114,169	112,369
<i>Total Receipts</i>	<u>6,956,545</u>	<u>6,961,545</u>	<u>7,485,835</u>	<u>524,290</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,946,382	4,122,859	3,822,657	300,202
Special	734,776	735,125	782,186	(47,061)
Vocational	1,000	11,000	2,992	8,008
Student Intervention Services	1,420	1,420	26	1,394
Other	32,751	32,751	10,621	22,130
Support Services:				
Pupil	176,502	208,502	211,932	(3,430)
Instructional Staff	288,317	288,319	243,388	44,931
Board of Education	33,955	35,450	28,234	7,216
Administration	726,750	753,751	672,366	81,385
Fiscal	274,885	274,885	285,400	(10,515)
Operation and Maintenance of Plant	741,908	774,219	660,649	113,570
Pupil Transportation	439,658	447,757	392,415	55,342
Central	2,980	3,740	1,204	2,536
Operation of Non-Instructional Services	118,541	122,424	129,871	(7,447)
Extracurricular Activities	156,878	160,948	155,578	5,370
<i>Total Disbursements</i>	<u>7,676,703</u>	<u>7,973,150</u>	<u>7,399,519</u>	<u>573,631</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(720,158)</u>	<u>(1,011,605)</u>	<u>86,316</u>	<u>1,097,921</u>
<b>Other Financing Sources (Uses)</b>				
Insurance Recoveries	-	-	18,620	18,620
Refund of Prior Year Expenditures	45,000	45,000	59,754	14,754
Refund of Prior Year Receipts	-	(38,518)	(33,759)	4,759
Advances Out	-	(20,000)	(20,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>45,000</u>	<u>(13,518)</u>	<u>24,615</u>	<u>38,133</u>
<i>Net Change in Fund Balance</i>	<u>(675,158)</u>	<u>(1,025,123)</u>	<u>110,931</u>	<u>1,136,054</u>
<i>Fund Balance Beginning of Year</i>	<u>6,381,759</u>	<u>6,381,759</u>	<u>6,381,759</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>95,601</u>	<u>95,601</u>	<u>95,601</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,802,202</u></u>	<u><u>\$5,452,237</u></u>	<u><u>\$6,588,291</u></u>	<u><u>\$1,136,054</u></u>

See accompanying notes to the basic financial statements

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1959 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 60 square miles. The School District has 47 certified staff and 33 classified staff and has an average daily membership (ADM) of 481.68 students. It is located in Darke County, and includes the Village of Pittsburg and portions of Franklin, Monroe, Greenville, Twin and Van Buren Townships.

#### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading.

#### ***A. Primary Government***

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Franklin Monroe Local School District, this includes general operations, food service, and student related activities of the School District.

#### ***B. Jointly Governed Organizations and Insurance Purchasing Pools***

The School District participates in two jointly governed organizations and two insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities.

These organizations are:

Jointly Governed Organizations:

META Solutions

Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council

Ohio School Insurance Plan

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

### **Note 2 - Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

---

### **Note 2 - Summary of Significant Accounting Policies** (Continued)

#### ***A. Basis of Presentation***

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

#### ***Government-wide Financial Statement:***

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. General governmental activities are financed through taxes, intergovernmental receipts, or other non-exchange transactions. The School District does not have any business-type activities.

The statement of net position presents the cash balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

#### ***Fund Financial Statements***

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

#### ***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as governmental.

***Governmental Funds:*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following is the School District's major governmental fund:

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

**General Fund** The general fund accounts for all financial resources, except for restricted resources required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

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

#### **C. Basis of Accounting**

The School District's financial statements are prepared using the basis of cash accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### **D. Cash, Cash Equivalents and Investments**

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

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2021, the School District invested in certificates of deposit, Wells Fargo Treasury Money Market, US Treasury Bills, Invesco STIT Government & Agency Mutual Fund and STAR Ohio. The School District investments are valued at cost.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

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 the Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pool and Pool Participants." The School District measures their 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. 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participants will be combined for these purposes.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2021 was \$52,777, including \$7,492 assigned from other School District funds.

#### ***E. Inventory and Prepaid Items***

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

#### ***F. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are not reflected as assets in the accompanying financial statements.

#### ***G. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

#### ***H. Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

#### ***I. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

#### ***J. Long-term Obligations***

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

Since recording a capital asset when entering into a capital lease is not the result of a cash transactions, neither an other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

#### **K. Fund Balance**

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 the Board of Education.

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

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

#### **L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 2 - Summary of Significant Accounting Policies** (Continued)

Net position restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. Net position was not restricted by enabling legislation.

#### ***M. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.

#### ***N. Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension liability and net OPEB liability, information about the fiduciary net position of the pension and 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 and OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB systems report investments at fair value.

#### ***O. Budgetary Data***

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate.

The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the function level within the general fund and the fund level for all other funds as its legal level of control. The Treasurer makes budgetary allocations at the object level within all funds.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 3- Deposits and Investments**

#### ***A. Investment Policies***

The School District follows the investment guidelines established by State statutes, which require the classification of the monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments, 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 3- Deposits and Investments** (Continued)

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

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

**B. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market 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 market 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 School District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,268,863 and the bank balance was \$1,430,636. \$250,000 of the bank balance was insured by federal depository insurance. As of June 30, 2021, \$1,181,636 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized. The School District's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

**C. Investments**

Investments are reported at cost. The School District had the following investments at June 30, 2021:

<u>Investments:</u>	<u>Amount</u>
INVESCO STIT Government & Agency Mutual Fund	\$ 11,209
Negotiable CDs	992,004
US Treasury Bills	1,897,872
Wells Fargo 100% Treasury Money Market	252,352
STAR Ohio	3,627,002
	<u>\$ 6,780,439</u>

*Interest Rate Risk* – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 3- Deposits and Investments** (Continued)

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. Standard & Poor’s rates the School District’s investment in STAR Ohio, INVESCO STIT Government & Agency Mutual Fund and Well Fargo 100% Treasury Money Market AAAM.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The School District has invested more than 5 percent in the following:

<u>Investments:</u>	<u>Percentage</u>
Negotiable CDs	14%
STAR Ohio	53%
US Treasury Bills	28%

**Note 4 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 located in the School District. Real property tax receipts 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 market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien 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 currently is assessed at varying percentages of true value.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 4 - Property Taxes** (Continued)

The School District receives property taxes from Darke and Miami Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$91,236,240	97.26 %	\$87,142,680	97.11%
Public Utility Personal	<u>2,569,070</u>	<u>2.74</u>	<u>2,593,160,</u>	<u>2.89</u>
Total	<u>\$93,805,310</u>	<u>100.00 %</u>	<u>\$89,735,840</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$40.74		\$40.69	

The tax rate includes 3.96 mills for the Miami Valley Career Technology Center.

On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds with a principal amount of \$6,218,195, along with interest. The bond proceeds were used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The levy is for 28 years commencing in 2008, with taxes first due in calendar year 2009. The State funded portion of the project was \$20,594,714. In addition, the voters approved a .5 mill maintenance levy that the County Auditor estimates will generate \$29,190 per year for 23 years.

**Note 5 - Income Tax**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

## Franklin Monroe Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

### Note 6 - Risk Management

#### *A. Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the School District participated in the Ohio School Insurance Plan for property and liability insurance. Fleet insurance is through RJ Warner Insurance.

Coverage provided is as follows:

Blanket Building – replacement cost (\$5,000 deductible)	\$21,481,881
Blanket Business Personal Property – replacement cost (\$5,000 deductible)	3,400,000
Building	278,990
Crime Insurance (\$500 deductible)	
Employee Theft	100,000
Forgery or Alteration	100,000
Inside the Premises – Theft of Money and Securities	100,000
Outside the Premises – Theft of Money and Securities	100,000
Money Orders and Counterfeit Money	100,000
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	1,000,000
Medical Payments (each person)	5,000
Comprehensive (\$500 deductible)	ACV
Collision (\$500 deductible)	ACV
Education General Liability:	
General Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Personal and Advertising – Injury Limit	1,000,000
Each Occurrence	1,000,000
Crisis Event Response Communication	100,000
Post Crisis Event Expense	100,000
Crisis Event Business Income and Extra Expense	100,000
Sexual Misconduct	1,000,000
Ohio Employers Liability Defense	1,000,000
Data Network Defender	50,000
Contractor’s Equipment	25,000
Electronic Data Processing Property (\$2,500 deductible)	485,000
Commercial Umbrella Liability Coverage	
Each Occurrence	1,000,000
Aggregate	3,000,000
School Leaders Risk (\$5,000 deductible)	1,000,000
Errors and Omissions Liability (\$5,000 deductible):	
Policy Damages	1,000,000
IEP Hearing Limit	50,000
Desegregation Limit	100,000
Breach of Contract Limit	100,000
Breach of Fiduciary Duty Limit	25,000
Data Compromise Coverage (\$1,000 deductible)	50,000

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 6 - Risk Management** (Continued)

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

#### ***B. Workers' Compensation***

For fiscal year 2021, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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 ensures 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 Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

#### ***C. Employee Medical Benefits***

For fiscal year 2021, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

### **Note 7 - Defined Benefit Pension Plans**

#### ***Net Pension Liability/Net OPEB Liability (Asset)***

The net pension/OPEB liability (asset) is disclosed as a commitment (asset) and not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 7 - Defined Benefit Pension Plans** (Continued)

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide 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 pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/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 systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 7 - Defined Benefit Pension Plans** (Continued)

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

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$141,586 for fiscal year 2021.

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

**Plan Description** – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a 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 Web site 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 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 7 - Defined Benefit Pension Plans** (Continued)

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent 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 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent 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 at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the 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. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$417,826 fiscal year 2021.

### ***Net Pension Liability***

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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 7 - Defined Benefit Pension Plans** (Continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02930070%	0.02561960%	
Current Measurement Date	0.02900500%	0.02598119%	
Change in Proportionate Share	-0.0002957%	0.00036159%	
Proportionate Share of the Net Pension Liability	\$1,918,452	\$6,286,524	\$8,204,976

**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 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.5 percent, on or after April 1, 2018, COLA for future retirees will be delayed for 3 years following commencement
Investment rate of return	7.50 percent net of investment expense, including inflation
Discount Rate	7.50%
Actuarial cost method	Entry Age Normal (level percent of payroll)

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 7 - Defined Benefit Pension Plans** (Continued)

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 were 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.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-Us Stocks	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
<b>Total</b>	<b>100.00 %</b>	

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

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 7 - Defined Benefit Pension Plans** (Continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$2,628,045	\$1,918,452	\$1,323,090

**Changes since measurement date** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the value of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determine with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020.

**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.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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 and 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 7 - Defined Benefit Pension Plans** (Continued)

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$8,950,915	\$6,286,524	\$4,028,674

## Franklin Monroe Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 8 – Defined Benefit OPEB Plans**

The net OPEB liability (asset) is disclosed as a commitment (asset) and not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

See Note 7 for a description of the net OPEB liability.

#### ***A. School Employees Retirement System***

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

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

***Funding Policy*** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, 0 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$18,340.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,340 for fiscal year 2021.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

***B. 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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2021, no employer allocation was made to the post-employment health care fund.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB asset/liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.02998380%	0.02561960%	
Current Measurement Date	0.03007630%	0.02598119%	
Change in Proportionate Share	0.00009250%	0.00036159%	
Proportionate Share of the Net OPEB			
Liability (Asset)	\$653,656	(\$456,619)	\$197,037

***Actuarial Assumptions - SERS***

SERS’ total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

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

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

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 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.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

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

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	2.00	%	1.85	%
US Stocks	22.50		5.75	
Non-US Stocks	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	100.00	%		

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. 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 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, 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. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend 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.

	1% Decrease	Current	1% Increase
	(1.63%)	Discount Rate (2.63%)	(3.63%)
School District's proportionate share of the net OPEB liability	\$800,059	\$653,656	\$537,266

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

	1% Decrease	Current Discount Rate	1% Increase
	6.00% decreasing	7.00% decreasing	8.00% decreasing
	to 3.75%	to 4.75%	to 5.75%
School District's proportionate share of the net OPEB liability	\$514,705	\$653,656	\$839,470

**Changes since measurement date** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS’ investment portfolio. However, because the value of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determine with half of the fiscal year remaining. In addition, the impact on SERS’ future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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.

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
<b>Total</b>	<b>100.00 %</b>	
* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, but 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 actual rate of return, without net value added by management.		

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

**Sensitivity of the School 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 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 8 – Defined Benefit OPEB Plans** (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$397,288)	(\$456,619)	(\$506,959)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$503,834)	(\$456,619)	(\$399,104)

**Note 9 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deletions	Amount Outstanding 6/30/21	Amount Due in One Year
<b>Governmental Activities</b>					
2016 Refunding Bonds					
Serial Bonds 2.0%-4%	\$4,670,000	\$0	(\$210,000)	\$4,460,000	\$215,000

2016 School Improvement Refunding Bonds

On April 18, 2016, the School District issued \$4,794,999 in refunding bond for the purpose of advance refunding a portion (\$4,795,000) of the 2009 School Improvement General Obligation Bonds. The new bonds have interest rates ranging from 1.35 to 4 percent. The bonds will be retired with a voted property tax levy received in the Bond Retirement debt service fund.

At June 30, 2021, the School District’s overall legal debt margin was \$4,245,153 with an un-voted debt margin of \$89,736.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2022	\$215,000	\$161,325
2023	220,000	154,800
2024	230,000	148,050
2025	235,000	141,075
2026	240,000	133,950
2027-2031	1,330,000	533,775
2032-2036	1,625,000	240,700
2037	365,000	7,300
<b>Total</b>	<b>\$4,460,000</b>	<b>\$1,520,975</b>

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 10 - Interfund Transactions**

During fiscal year 2021, the OHSAA Tournament Monies special revenue fund transferred \$309 to the Athletic special revenue fund, which are shown with other governmental funds.

In addition, during 2021, the General Fund advanced \$20,000 to the food service fund that was outstanding at June 30, 2021.

**Note 11 – Fund Balances**

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

		Other	Total
		Governmental	Governmental
Fund Balance	General	Funds	Funds
Restricted for:			
Food Service Operations	\$ -	\$ 6,373	\$ 6,373
Classroom Maintenance	-	252,506	252,506
Athletics	-	144,216	144,216
Student Activities	-	80,123	80,123
Capital Improvements	-	41,767	41,767
Debt Service	-	628,927	628,927
Federal and State Grants	-	54,296	54,296
Total Restricted	-	1,208,208	1,208,208
Committed for:			
Capital Improvements	-	86	86
Scholarships	-	3,000	3,000
Total Committed	-	3,086	3,086
Assigned for:			
Unpaid Obligations	191,221	-	191,221
Susequent Year Appropriations	-	-	-
Public School Support	58,527	-	58,527
Total Assigned	249,748	-	249,748
Unassigned	6,588,269	(9)	6,588,260
Total Fund Balance	\$ 6,838,017	\$ 1,211,285	\$ 8,049,302

**Note 12 - Set-Aside Calculations**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2021.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 12 - Set-Aside Calculations** (Continued)

	Capital	
	Acquisitions	
Set-aside Cash Balance as of June 30, 2020	\$0	
Current Year Set-aside Requirement	111,223	
Qualifying Offsets	(111,223)	
Total	\$0	

The School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside. The negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools**

**A. Jointly Governed Organizations**

*Metropolitan Educational Technology Association (META) Solutions* – The School District is a participant in META, which is a computer consortium. META provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. META serves hundreds of schools throughout Ohio. META operates under a Board of Directors consisting of eight members. The School District paid META \$27,637 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC for fiscal year 2021 were \$667,557. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kevin Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools** (Continued)

**B. Insurance Purchasing Pools**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan* - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an nine member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan* – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

In addition, the cooperative hires attorneys, auditors and actuaries to assist in running the day-to-day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During fiscal year 2021, the School District paid \$667,557 to SOEPC for medical, dental and vision benefits. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Note 14 – Contractual Commitments**

At June 30, 2021, the School District had the following outstanding contractual commitments:

Vendor	Outstanding at 6/30/21
Kremer Roofing, Inc.	\$ 24,840
IT Savvy	29,687
Waibel Energy Systems, Inc.	28,783

**Note 15 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**Note 15 – Contingencies** (continued)

***B. Litigation***

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

***C. Foundation Funding***

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As a result of the adjustments, ODE owed \$2,229 to the District. This amount has not been included in the financial statements.

**Note 16 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a part of restricted, committed, or assigned of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 312,102
Encumbrances	(191,221)
Perspective Differences	(9,950)
Budgetary Basis	<u>\$ 110,931</u>

**Note 17 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets/deferred outflows, liabilities/deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Note 18 - Change in Accounting Principles and Restatement of Fund Balances and Net Position**

For fiscal year 2021, the School District implemented GASB Statement No. 90, *Majority Equity Interests* and (GASB) Implementation Guide No. 2019-1, *Implementation Guidance Update*. The implementation of these statements had no effect on School District's financial statements.

Also, for fiscal year 2021, the School District implemented GASB Statement No. 84, *Fiduciary Activities*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its fiduciary funds these funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

	Governmental Funds		
	General	Non Major	Total
Fund Balances, June 30, 2020	\$6,525,915	\$1,051,098	\$7,577,013
Adjustments:			
GASB 84	0	82,730	82,730
Restated Fund Balances, June 30, 2020	<u>\$6,525,915</u>	<u>\$1,133,828</u>	<u>\$7,659,743</u>

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

	Governmental Activities
Net Position June 30, 2020	\$7,577,013
Adjustments:	
GASB 84	82,730
Restated Net Position June 30, 2020	<u>\$7,659,743</u>

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of June 30, 2020:

	Fiduciary Funds	
	Private Purpose Trust	Agency
Net Position June 30, 2020	\$5,000	\$0
Assets/Liabilities June 30, 2020		77,730
GASB 84 Adjustments	(5,000)	(77,730)
Restated Net Position June 30, 2020	<u>\$0</u>	<u>\$0</u>

## **Franklin Monroe Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 19 – COVID-19 Pandemic**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District received \$219,820 for COVID-19.

### **Note 20 – Fund Deficit**

At June 30, 2021, the Title IIA Improving Teacher Quality had a deficit balance of \$9. This deficit will be eliminated early in fiscal year 2022 when additional grant dollars are received.

### **Note 21 – Subsequent Event**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$52,763 in revenue and expenditures/expense related to these programs).

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Franklin-Monroe Local School District  
Pittsburg, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin-Monroe Local School District, Darke 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 and have issued our report thereon dated December 16, 2022, wherein we noted that the District uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

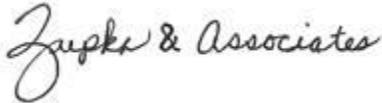
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as **Finding 2021-001**.

### **Franklin-Monroe Local School District Response to the Finding**

*Government Auditing Standards* requires the auditor of perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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



Zupka & Associates  
Certified Public Accountants

December 16, 2022

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**Finding 2021-001 – Noncompliance Finding – Annual Financial Report**

Condition/Criteria

Ohio Revised Code Section 117.38(A) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Revised Code Section 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

District Response

Due to the cost of a GAAP conversion, along with the cost associated with auditing the GAAP financial report, the Franklin-Monroe Board of Education has chosen to prepare their financial statements using another comprehensive basis of accounting (OCBOA).

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT  
 DARKE COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The prior audit report, as of June 30, 2020, included noncompliance findings.

Finding Number	Finding Summary	Status	Additional Information
2020-001	Noncompliance - Annual Financial Report	Not Corrected	Repeated as Finding 2021-001

The prior audit report, as of June 30, 2020, included management letter recommendations. Management letter recommendations as of June 30, 2020, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT**

**DARKE 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 3/16/2023**

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)