



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2020**

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CLERMONT COUNTY  
JUNE 30, 2020

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Felicity Franklin Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Felicity Franklin Local School District, Clermont County as of June 30, 2020, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

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

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 6, 2021

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

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities decreased \$903,840 from 2019's restated net position.
- General revenues accounted for \$9,665,282 in revenue or 79.46% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,498,960 or 20.54% of total revenues of \$12,164,242.
- The District had \$13,068,082 in expenses related to governmental activities; \$2,498,960 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,665,282 was not adequate to provide for these programs.
- The District has two major governmental funds: the general fund and debt service fund. The general fund had \$10,812,993 in revenues and other financing sources and \$10,653,739 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance increased \$159,254 from \$4,631,762 to \$4,791,016.
- The debt service fund had \$148,384 in revenues and \$89,711 in expenditures. During fiscal year 2020, the debt service fund's fund balance increased \$58,673 from \$882,162 to \$940,835.

**Using the Basic Financial Statements**

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

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

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

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

**Reporting the District as a Whole**

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-58 of this report.



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

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

***Required Supplementary Information***

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

**The District as a Whole**

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

	<b>Net Position</b>	
	Governmental Activities <u>2020</u>	Restated Governmental Activities <u>2019</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,497,460	\$ 8,257,911
Net OPEB asset	643,536	605,465
Capital assets, net	<u>12,317,268</u>	<u>12,945,426</u>
Total assets	<u>21,458,264</u>	<u>21,808,802</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,143,067	2,775,503
OPEB	<u>233,125</u>	<u>167,463</u>
Total deferred outflows of resources	<u>2,376,192</u>	<u>2,942,966</u>
<b><u>Liabilities</u></b>		
Current liabilities	760,541	709,884
Long-term liabilities:		
Due within one year	195,588	234,170
Due in more than one year:		
Net pension liability	10,976,965	10,732,738
Net OPEB liability	1,027,035	1,197,530
Other amounts	<u>912,552</u>	<u>1,021,434</u>
Total liabilities	<u>13,872,681</u>	<u>13,895,756</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	1,619,258	1,421,632
Pensions	877,631	1,112,641
OPEB	<u>1,195,594</u>	<u>1,148,607</u>
Total deferred inflows of resources	<u>3,692,483</u>	<u>3,682,880</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	11,541,290	12,035,465
Restricted	1,125,671	1,154,958
Unrestricted (deficit)	<u>(6,397,669)</u>	<u>(6,017,291)</u>
Total net position	<u>\$ 6,269,292</u>	<u>\$ 7,173,132</u>

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

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

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

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

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

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

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

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

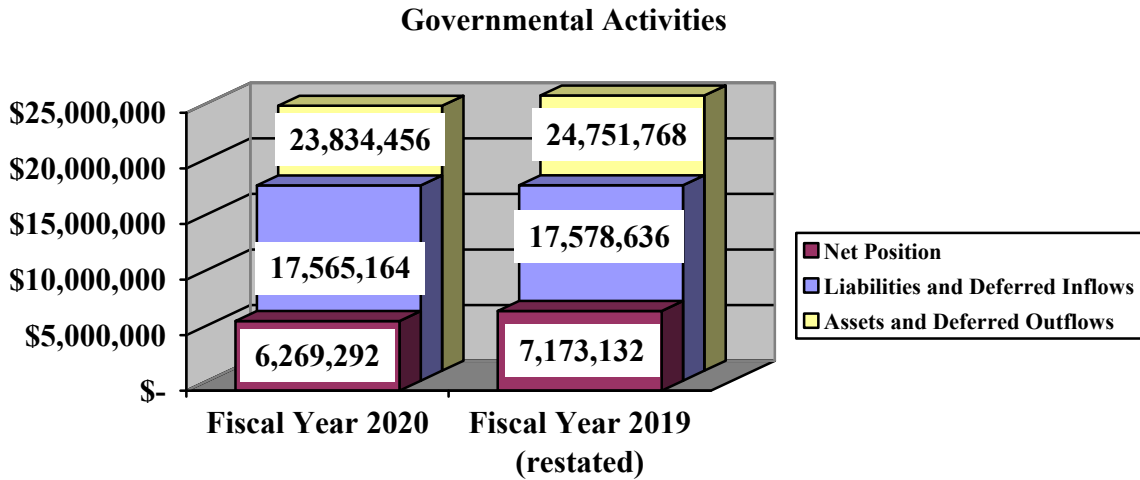
In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability/asset, respectively, not accounted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

At June 30, 2020, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,269,292.

At year-end, capital assets represented 57.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2020, was \$11,541,290. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District’s net position, \$1,125,671 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$6,397,669.

The graph below illustrates the governmental activities assets and deferred inflows, liabilities and deferred outflows and net position at June 30, 2020 and 2019. Net position at June 30, 2019 has been restated as described in Note 3.



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

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

The table below shows the change in net position for fiscal years 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3). Rather, the cumulative impact of applying GASB No. 84 is reflected in the beginning net position for 2019.

**Change in Net Position**

	Governmental Activities 2020	Restated Governmental Activities 2019
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 835,807	\$ 794,591
Operating grants and contributions	1,663,153	1,629,123
General revenues:		
Property taxes	2,087,320	2,223,254
Grants and entitlements	7,445,908	7,615,671
Investment earnings	105,040	98,156
Miscellaneous	27,014	34,698
Total revenues	<u>12,164,242</u>	<u>12,395,493</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	5,104,430	4,165,845
Special	2,582,786	2,328,450
Vocational	391,862	315,043
Other	139,217	106,561
Support services:		
Pupil	328,971	182,273
Instructional staff	447,973	448,599
Board of education	20,516	20,420
Administration	945,630	789,340
Fiscal	374,845	320,362
Business	10,195	9,235
Operations and maintenance	1,224,049	1,059,008
Pupil transportation	598,977	570,081
Central	38,822	39,791
Operation of non-instructional services:		
Food service operations	530,263	468,729
Other non-instructional services	5,821	10,843
Extracurricular activities	306,117	216,392
Interest and fiscal charges	17,608	26,912
Total expenses	<u>13,068,082</u>	<u>11,077,884</u>
Change in net position	(903,840)	1,317,609
Net position at beginning of year	<u>7,173,132</u>	<u>5,855,523</u>
Net position at end of year	<u>\$ 6,269,292</u>	<u>\$ 7,173,132</u>

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

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

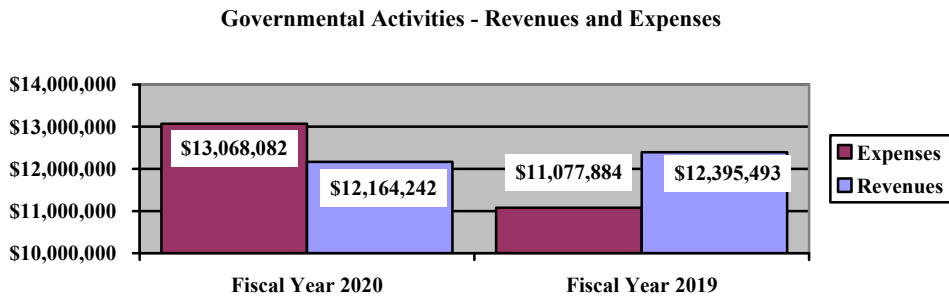
**Governmental Activities**

Net position of the District's governmental activities decreased \$903,840. Total governmental expenses of \$13,068,082 were offset by program revenues of \$2,498,960 and general revenues of \$9,665,282. Program revenues supported 19.12% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$1,990,198 or 17.97%. This increase is primarily the result of an increase in pension and OPEB expenses compared to the previous fiscal year. Pension expense in fiscal year 2020 was \$1,461,293 compared to \$855,423 in fiscal year 2019 and OPEB expense was (\$202,438) in fiscal year 2020 compared to (\$1,281,992) in fiscal year 2019. These both increase primarily due to activity occurring at the State Teachers Retirement System (STRS).

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted and restricted grants and entitlements from the State of Ohio. These revenue sources represent 78.37% of total governmental revenue. Real estate property is reappraised every six years. The decrease in property tax revenue for fiscal year 2020 was due to fluctuations in the amount of tax advance available from the Clermont County Auditor at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2020, 2019, and 2018 were \$375,915, \$698,501, and \$632,542, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Clermont County. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year.

The graph below presents the governmental activities revenue and expenses for fiscal years 2020 and 2019.



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

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

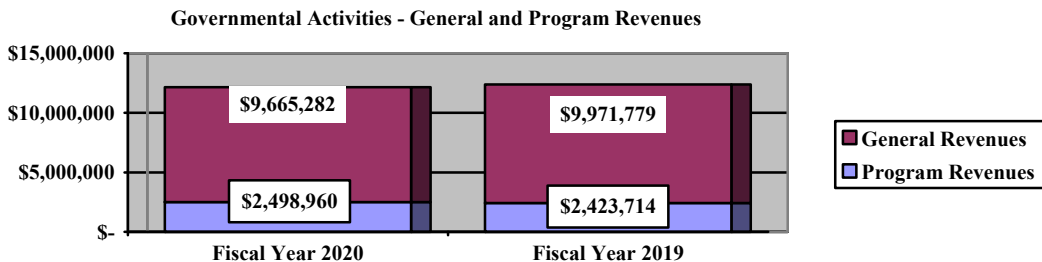
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As stated above, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years.

**Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,104,430	\$ 4,592,309	\$ 4,165,845	\$ 3,599,791
Special	2,582,786	1,445,963	2,328,450	1,153,314
Vocational	391,862	303,890	315,043	227,505
Other	139,217	138,138	106,561	101,526
Support services:				
Pupil	328,971	242,016	182,273	171,770
Instructional staff	447,973	438,636	448,599	446,827
Board of education	20,516	20,516	20,420	20,420
Administration	945,630	945,630	789,340	784,131
Fiscal	374,845	374,845	320,362	320,362
Business	10,195	10,195	9,235	9,235
Operations and maintenance	1,224,049	1,137,961	1,059,008	1,048,121
Pupil transportation	598,977	543,563	570,081	526,931
Central	38,822	38,822	39,791	39,791
Operation of non-instructional services:				
Food service operations	530,263	155,239	468,729	12,458
Other non-instructional services	5,821	(88)	10,843	5,280
Extracurricular activities	306,117	163,879	216,392	159,796
Interest and fiscal charges	17,608	17,608	26,912	26,912
<b>Total expenses</b>	<b><u>\$ 13,068,082</u></b>	<b><u>\$ 10,569,122</u></b>	<b><u>\$ 11,077,884</u></b>	<b><u>\$ 8,654,170</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent; 78.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.88%.

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019.



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

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

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,998,753, which is higher than last year's restated fund balance of \$5,986,190. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. Fund balances at June 30, 2019 have been restated as described in Note 3.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Change	Percentage Change
General	\$ 4,791,016	\$ 4,631,762	\$ 159,254	3.44 %
Debt service	940,835	882,162	58,673	6.65 %
Nonmajor Governmental	266,902	472,266	(205,364)	(43.48) %
Total	<u>\$ 5,998,753</u>	<u>\$ 5,986,190</u>	<u>\$ 12,563</u>	0.21 %

**General Fund**

The District's general fund balance increased \$159,254. The following table assists in illustrating the financial activities and change in fund balance of the general fund.

	2020 Amount	2019 Amount	Net Change	Percentage Change
<b><u>Revenues</u></b>				
Property taxes	\$ 1,892,812	\$ 2,028,236	\$ (135,424)	(6.68) %
Tuition and fees	566,195	577,439	(11,244)	(1.95) %
Earnings on investments	105,623	98,151	7,472	7.61 %
Intergovernmental	8,209,447	8,347,436	(137,989)	(1.65) %
Other revenues	35,234	45,488	(10,254)	(22.54) %
Total	<u>\$ 10,809,311</u>	<u>\$ 11,096,750</u>	<u>\$ (287,439)</u>	(2.59) %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,839,627	\$ 6,646,537	\$ 193,090	2.91 %
Support services	3,491,444	3,508,782	(17,338)	(0.49) %
Extracurricular activities	33,935	59,859	(25,924)	(43.31) %
Operation of non-instructional	-	5,162	(5,162)	100.00 %
Debt service	64,733	61,299	3,434	5.60 %
Total	<u>\$ 10,429,739</u>	<u>\$ 10,281,639</u>	<u>\$ 148,100</u>	1.44 %

General fund revenues decreased \$287,439 or 2.59% during fiscal year 2020. Property taxes decreased primarily due to fluctuations in the amount of tax advance available from the Clermont County Auditor at fiscal year-end. For the general fund, the tax advance available for the fiscal years ended June 30, 2020, 2019, and 2018 were \$344,752, \$646,873, and \$555,582, respectively. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. Earnings on investments increased due to a greater return on the Districts investments. General fund expenditures increased \$148,100 or 1.44% during fiscal year 2020. This increase was primarily due to an increase instruction expenditure. This was due to an increase in regular instruction. Extracurricular activities decreased due to a decrease in activities offered to the students because of COVID-19.

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

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

***Debt Service Fund***

The debt service fund is a major fund of the District and accounts for the accumulation of resources (primarily property taxes revenue) for the payment of principal and interest on the District's bond obligations. The debt service fund had \$148,384 in revenues and \$89,711 in expenditures. During fiscal year 2020, the debt service fund's fund balance increased \$58,673 from \$882,162 to \$940,835.

***General Fund Budgeting Highlights***

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

Original budgeted revenues and other financing sources of \$10,964,275 were increased to \$11,096,946 in the final budget. Actual revenues and other financing sources for fiscal year 2020 were \$11,098,074, which is a \$1,128 increase from final budgeted revenues and other financing sources. General fund original appropriations (appropriated expenditures including other financing uses) of \$10,927,717 were decreased to \$10,875,541 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$10,817,312, which is \$85,229 lower than final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2020, the District had \$12,317,268 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019:

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

	Governmental Activities	
	2020	2019
Land	\$ 208,200	\$ 208,200
Land improvements	213,721	251,779
Building and improvements	11,354,895	11,931,372
Furniture and equipment	350,991	329,227
Vehicles	189,461	224,848
Total	\$ 12,317,268	\$ 12,945,426

The overall decrease in capital assets of \$628,158 is due to current year depreciation of \$729,918 and disposals, net accumulated depreciation of \$6,508 exceeding additions of \$108,268.

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



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

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

***Debt Administration***

At June 30, 2020, the District had \$730,000 in general obligation bonds. Of this total, \$125,000 is due within one year and \$605,000 is due in greater than one year.

The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2020	Governmental Activities 2019
General obligation bonds	<u>\$ 730,000</u>	<u>\$ 855,000</u>

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

**Current Financial Related Activities**

Felicity Franklin Local School district is showing a positive revenue surplus in the current year, but beginning with fiscal year 2021, is projected to start spending into our cash balance and will continue each year thereafter until new revenue is generated. The district has not passed an operating levy since 1977, therefore is entering into challenging times. The district is currently funded 69% from the state and is on the state guarantee program. It is not predicted to see increases in funding in the near future due to our continued decline in student enrollment. The district has been preparing for these forecasted challenges since 2016 when we began eliminating staff through attrition. These cost saving efforts were implemented to help the district remain solvent. It is through these changes, that we have been able to operate this district without any additional revenue from local sources.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 6,308,792
Receivables:	
Property taxes . . . . .	2,066,558
Accounts . . . . .	1,766
Accrued interest . . . . .	11,275
Intergovernmental . . . . .	77,564
Prepayments . . . . .	14,093
Materials and supplies inventory . . . . .	1,408
Inventory held for resale . . . . .	16,004
Net OPEB asset . . . . .	643,536
Capital assets:	
Nondepreciable capital assets . . . . .	208,200
Depreciable capital assets, net . . . . .	12,109,068
Capital assets, net . . . . .	12,317,268
Total assets . . . . .	21,458,264
 <b>Deferred outflows of resources:</b>	
Pension (Note 12) . . . . .	2,143,067
OPEB (Note 13) . . . . .	233,125
Total deferred outflows of resources . . . . .	2,376,192
 <b>Liabilities:</b>	
Accounts payable . . . . .	64,466
Accrued wages and benefits payable . . . . .	543,671
Intergovernmental payable . . . . .	23,710
Pension and postemployment benefits payable . . . . .	126,780
Accrued interest payable . . . . .	1,914
Long-term liabilities:	
Due within one year . . . . .	195,588
Due in more than one year:	
Net pension liability (Note 12) . . . . .	10,976,965
Net OPEB liability (Note 13) . . . . .	1,027,035
Other amounts due in more than one year . . . . .	912,552
Total liabilities . . . . .	13,872,681
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	1,619,258
Pension (Note 12) . . . . .	877,631
OPEB (Note 13) . . . . .	1,195,594
Total deferred inflows of resources . . . . .	3,692,483
 <b>Net position:</b>	
Net investment in capital assets . . . . .	11,541,290
Restricted for:	
Classroom facilities maintenance . . . . .	10,065
Debt service . . . . .	946,569
State funded programs . . . . .	23,957
Federally funded programs . . . . .	3,578
Student activities . . . . .	95,327
Other purposes . . . . .	46,175
Unrestricted (deficit) . . . . .	(6,397,669)
Total net position . . . . .	\$ 6,269,292

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,104,430	\$ 487,336	\$ 24,785	\$ (4,592,309)
Special . . . . .	2,582,786	78,859	1,057,964	(1,445,963)
Vocational . . . . .	391,862	-	87,972	(303,890)
Other . . . . .	139,217	-	1,079	(138,138)
Support services:				
Pupil . . . . .	328,971	-	86,955	(242,016)
Instructional staff . . . . .	447,973	-	9,337	(438,636)
Board of education . . . . .	20,516	-	-	(20,516)
Administration . . . . .	945,630	-	-	(945,630)
Fiscal . . . . .	374,845	-	-	(374,845)
Business . . . . .	10,195	-	-	(10,195)
Operations and maintenance . . . . .	1,224,049	3,140	82,948	(1,137,961)
Pupil transportation . . . . .	598,977	3,586	51,828	(543,563)
Central . . . . .	38,822	-	-	(38,822)
Operation of non-instructional services:				
Food service operations . . . . .	530,263	120,834	254,190	(155,239)
Other non-instructional services . . . . .	5,821	-	5,909	88
Extracurricular activities . . . . .	306,117	142,052	186	(163,879)
Interest and fiscal charges . . . . .	17,608	-	-	(17,608)
<b>Total governmental activities . . . . .</b>	<b>\$ 13,068,082</b>	<b>\$ 835,807</b>	<b>\$ 1,663,153</b>	<b>(10,569,122)</b>
<b>General revenues:</b>				
Property taxes levied for:				
				1,922,607
				133,530
				31,183
				7,445,908
				105,040
				27,014
				<u>9,665,282</u>
				(903,840)
				<u>7,173,132</u>
				<u>\$ 6,269,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 5,058,491	\$ 915,177	\$ 335,124	\$ 6,308,792
<b>Receivables:</b>				
Property taxes . . . . .	1,878,748	150,768	37,042	2,066,558
Accounts . . . . .	350	-	1,416	1,766
Accrued interest . . . . .	11,275	-	-	11,275
Interfund loans . . . . .	20,000	-	-	20,000
Intergovernmental . . . . .	34,437	-	43,127	77,564
Prepayments . . . . .	13,199	-	894	14,093
Materials and supplies inventory . . . . .	-	-	1,408	1,408
Inventory held for resale . . . . .	-	-	16,004	16,004
Due from other funds . . . . .	26,232	-	-	26,232
Total assets . . . . .	<u>\$ 7,042,732</u>	<u>\$ 1,065,945</u>	<u>\$ 435,015</u>	<u>\$ 8,543,692</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 60,672	\$ -	\$ 3,794	\$ 64,466
Accrued wages and benefits payable . . . . .	505,988	-	37,683	543,671
Compensated absences payable . . . . .	13,851	-	-	13,851
Intergovernmental payable . . . . .	23,164	-	546	23,710
Pension and postemployment benefits payable . . . . .	110,507	-	16,273	126,780
Interfund loans payable . . . . .	-	-	20,000	20,000
Due to other funds . . . . .	-	-	26,232	26,232
Total liabilities . . . . .	<u>714,182</u>	<u>-</u>	<u>104,528</u>	<u>818,710</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	1,468,531	120,235	30,492	1,619,258
Delinquent property tax revenue not available . . . . .	65,465	4,875	1,045	71,385
Intergovernmental revenue not available . . . . .	3,316	-	32,048	35,364
Interest revenue not available . . . . .	222	-	-	222
Total deferred inflows of resources . . . . .	<u>1,537,534</u>	<u>125,110</u>	<u>63,585</u>	<u>1,726,229</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory . . . . .	-	-	1,408	1,408
Prepays . . . . .	13,199	-	894	14,093
<b>Restricted:</b>				
Debt service . . . . .	-	940,835	-	940,835
Classroom facilities maintenance . . . . .	-	-	9,020	9,020
Food service operations . . . . .	-	-	53,339	53,339
Other purposes . . . . .	-	-	14,492	14,492
Extracurricular . . . . .	-	-	95,327	95,327
Student wellness and success . . . . .	-	-	20,588	20,588
<b>Committed:</b>				
Capital improvements . . . . .	-	-	107,769	107,769
Termination benefits . . . . .	77,118	-	-	77,118
<b>Assigned:</b>				
Student instruction . . . . .	23,541	-	-	23,541
Student and staff support . . . . .	120,527	-	-	120,527
Subsequent year's appropriations . . . . .	90,475	-	-	90,475
Unassigned (deficit) . . . . .	4,466,156	-	(35,935)	4,430,221
Total fund balances . . . . .	<u>4,791,016</u>	<u>940,835</u>	<u>266,902</u>	<u>5,998,753</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 7,042,732</u>	<u>\$ 1,065,945</u>	<u>\$ 435,015</u>	<u>\$ 8,543,692</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$	5,998,753
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,317,268
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	71,385	
Accrued interest receivable		222	
Intergovernmental receivable		35,364	
Total			106,971
Unamortized premiums on bonds issued are not recognized in the funds.			(45,978)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,914)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		2,143,067	
Deferred inflows of resources - pension		(877,631)	
Net pension liability		(10,976,965)	
Total			(9,711,529)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - OPEB		233,125	
Deferred inflows of resources - OPEB		(1,195,594)	
Net OPEB asset		643,536	
Net OPEB liability		(1,027,035)	
Total			(1,345,968)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(730,000)	
Compensated absences		(318,311)	
Total			(1,048,311)
<b>Net position of governmental activities</b>		<b>\$</b>	<b><u>6,269,292</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,892,812	\$ 131,312	\$ 30,707	\$ 2,054,831
Tuition . . . . .	566,195	-	-	566,195
Earnings on investments . . . . .	105,623	-	80	105,703
Charges for services . . . . .	-	-	120,834	120,834
Extracurricular . . . . .	5,220	-	139,387	144,607
Rental income . . . . .	3,000	-	-	3,000
Contributions and donations . . . . .	-	-	1,171	1,171
Other local revenues . . . . .	27,014	-	1,848	28,862
Intergovernmental - state . . . . .	8,085,276	17,072	212,218	8,314,566
Intergovernmental - federal . . . . .	124,171	-	688,470	812,641
Total revenues . . . . .	<u>10,809,311</u>	<u>148,384</u>	<u>1,194,715</u>	<u>12,152,410</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,212,544	-	26,415	4,238,959
Special . . . . .	2,121,690	-	383,633	2,505,323
Vocational . . . . .	371,171	-	-	371,171
Other . . . . .	134,222	-	4,995	139,217
Support services:				
Pupil . . . . .	243,615	-	72,017	315,632
Instructional staff . . . . .	478,791	-	7,013	485,804
Board of education . . . . .	20,033	-	-	20,033
Administration . . . . .	901,609	-	-	901,609
Fiscal . . . . .	343,263	2,523	606	346,392
Business . . . . .	10,195	-	-	10,195
Operations and maintenance . . . . .	939,761	-	334,043	1,273,804
Pupil transportation . . . . .	515,355	-	14,836	530,191
Central . . . . .	38,822	-	-	38,822
Operation of non-instructional services:				
Food service operations . . . . .	-	-	510,700	510,700
Other operation of non-instructional . . . . .	-	-	5,821	5,821
Extracurricular activities . . . . .	33,935	-	260,318	294,253
Debt service:				
Principal retirement . . . . .	50,000	75,000	-	125,000
Interest and fiscal charges . . . . .	14,733	12,188	-	26,921
Total expenditures . . . . .	<u>10,429,739</u>	<u>89,711</u>	<u>1,620,397</u>	<u>12,139,847</u>
Excess of revenues over (under) expenditures . . . . .	<u>379,572</u>	<u>58,673</u>	<u>(425,682)</u>	<u>12,563</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	3,682	-	224,000	227,682
Transfers (out) . . . . .	<u>(224,000)</u>	<u>-</u>	<u>(3,682)</u>	<u>(227,682)</u>
Total other financing sources (uses) . . . . .	<u>(220,318)</u>	<u>-</u>	<u>220,318</u>	<u>-</u>
Net change in fund balances . . . . .	159,254	58,673	(205,364)	12,563
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>4,631,762</u>	<u>882,162</u>	<u>472,266</u>	<u>5,986,190</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,791,016</u>	<u>\$ 940,835</u>	<u>\$ 266,902</u>	<u>\$ 5,998,753</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Net change in fund balances - total governmental funds</b>	\$	12,563
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 108,268	
Current year depreciation	<u>(729,918)</u>	
Total		(621,650)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(6,508)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	32,489	
Earnings on investments	(583)	
Intergovernmental	<u>(36,971)</u>	
Total		(5,065)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	<u>125,000</u>	
Total		125,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	330	
Amortization of bond premiums	<u>8,983</u>	
Total		9,313
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		819,640
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,461,293)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		24,803
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.		
		202,438
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(3,081)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(903,840)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

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

The District is staffed 38 non-certified employees and 69 certified employees who provide services to approximately 756 students and other community members.

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

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

**A. Reporting Entity**

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

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

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

The Hamilton/Clermont Cooperative

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

The Unified Purchasing Cooperative of the Ohio River Valley

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

Grant Career Center

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

*PUBLIC ENTITY RISK POOLS*

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

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

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

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

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

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

**C. Basis of Presentation and Measurement Focus**

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities that are governmental and those that are considered business-type activities. However, the District has only governmental activities; therefore, no business-type activities are presented.

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

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

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

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

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

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, and in the presentation of expenses versus expenditures.

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

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

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

**E. Budgetary Process**

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

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

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

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

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

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

**F. Cash and Investments**

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

During fiscal year 2020, investments were limited to negotiable of deposits (CDs), U.S. government money market mutual fund, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and STAR Plus. Except for investments in STAR Ohio and STAR Plus, investments are reported at fair value, which is based on quoted market prices.

In fiscal year 2020, the District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$105,623, which includes \$21,684 assigned from other District funds.

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

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

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

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months which are not purchased from the cash management pool are reported as investments.

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

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

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

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

**J. Compensated Absences**

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

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

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

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

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

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

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

**L. Unamortized Bond Premiums**

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



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

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

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

**M. Fund Balance**

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

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

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

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

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

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

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

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

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

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

**N. Net Position**

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

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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

**P. Estimates**

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

**Q. Interfund Activity**

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

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

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

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

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

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during the fiscal year.

**T. Fair Value Measurements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Restatement of Net Position and Fund Balances**

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 4,631,667	\$ 882,162	\$ 424,404	\$ 5,938,233
GASB Statement No. 84	95	-	47,862	47,957
Restated Fund Balance, at June 30, 2019	\$ 4,631,762	\$ 882,162	\$ 472,266	\$ 5,986,190

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

	Governmental Activities
Net position as previously reported	\$ 7,125,175
GASB Statement No. 84	47,957
Restated net position at June 30, 2019	\$ 7,173,132

Due to the implementation of GASB Statement No.84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$48,540.

**C. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 35,932
ImprovingTeacher Quality	3

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

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Expected as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$3,698,877. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2020, \$2,554,216 of the District’s bank balance of \$3,836,634 was exposed to custodial risk as discussed below, while \$1,282,418 was covered by the FDIC.

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

**B. Investments**

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Negotiable CDs	\$1,467,813	\$ 247,237	\$ 246,142	\$ 256,234	\$ 464,444	\$ 253,756
U.S. government money market mutual fund	392,102	392,102	-	-	-	-
<i>Amorized cost:</i>						
STAR Ohio	750,000	750,000	-	-	-	-
Total	<u>\$ 2,609,915</u>	<u>\$ 1,389,339</u>	<u>\$ 246,142</u>	<u>\$ 256,234</u>	<u>\$ 464,444</u>	<u>\$ 253,756</u>

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

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

The weighted average maturity of investments is 0.70 years.

The District's investments in U.S Government money market mutual funds are valued using quoted market prices (Level 1 inputs). The District's investments in negotiable certificates of deposit are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either direct or indirectly (Level 2 inputs).

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

*Credit Risk:* The U.S. government money market mutual fund and STAR Ohio were rated an AAAM money market rating by Standard & Poor's. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit were not rated but were fully insured by the FDIC. The District has no investment policy dealing with credit risk.

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

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CDs	\$ 1,467,813	56.24
U.S. government money market mutual fund	392,102	15.02
<i>Amortized cost:</i>		
STAR Ohio	<u>750,000</u>	<u>28.74</u>
Total:	<u>\$ 2,609,915</u>	<u>100.00</u>

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

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

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,698,877
Investments	<u>2,609,915</u>
Total	<u>\$ 6,308,792</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 6,308,792</u>
Total	<u>\$ 6,308,792</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 224,000
<u>Transfers from nonmajor governmental fund to:</u>	
General fund	<u>3,682</u>
	<u>\$ 227,682</u>

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

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

All transfers made in fiscal year 2020 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Due from and to other funds at June 30, 2020 consisted of the following individual amounts, as reported in the fund financial statements:

<u>Due to general fund from:</u>	<u>Amount</u>
Title I	\$ 17,732
Improving Teacher Quality	3
Miscellaneous Federal Grants	<u>8,497</u>
Total	<u>\$ 26,232</u>



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

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

The purpose of this amount due from and to other funds is to cover negative cash balances in nonmajor special revenue governmental funds. The District may maintain negative cash balances in nonmajor special revenue governmental funds if two criteria are met: (1) the general fund must have available and unencumbered funds to cover the negative amounts; and (2) a reimbursement request must have been submitted by the fiscal year-end. The District has met these two requirements.

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

<u>Due to general fund from:</u>	<u>Amount</u>
Rotary	\$ 20,000

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

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

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Clermont County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$344,752 in the general fund, \$25,658 in the debt service fund, and \$5,505 in the classroom facilities and maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$646,873 in the general fund, \$40,713 in the debt service fund, and \$10,915 in the classroom facilities and maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 82,947,820	79.00	\$ 83,935,050	84.88
Public utility personal	<u>22,045,950</u>	<u>21.00</u>	<u>14,951,120</u>	<u>15.12</u>
Total	<u>\$ 104,993,770</u>	<u>100.00</u>	<u>\$ 98,886,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 30.30		\$ 30.30	

**NOTE 7 - EMPLOYEE BENEFITS**

Compensated Absences

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

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2020 consisted of property taxes, accounts receivable, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**Governmental activities:**

Property taxes	\$ 2,066,558
Accounts	1,766
Accrued interest	11,275
Intergovernmental	<u>77,564</u>
<b>Total</b>	<b><u>\$ 2,157,163</u></b>

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

**NOTE 9 - CAPITAL ASSETS**

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

	Balance 06/30/19	Additions	Deductions	Balance 06/30/20
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 208,200	\$ -	\$ -	\$ 208,200
<b>Total capital assets, not being depreciated</b>	<b>208,200</b>	<b>-</b>	<b>-</b>	<b>208,200</b>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,185,781	-	-	1,185,781
Buildings and improvements	25,111,828	42,984	-	25,154,812
Furniture and equipment	1,008,013	65,284	-	1,073,297
Vehicles	836,522	-	(12,000)	824,522
<b>Total capital assets, being depreciated</b>	<b>28,142,144</b>	<b>108,268</b>	<b>(12,000)</b>	<b>28,238,412</b>
<i>Less: accumulated depreciation</i>				
Land improvements	(934,002)	(38,058)	-	(972,060)
Buildings and improvements	(13,180,456)	(619,461)	-	(13,799,917)
Furniture and equipment	(678,786)	(43,520)	-	(722,306)
Vehicles	(611,674)	(28,879)	5,492	(635,061)
<b>Total accumulated depreciation</b>	<b>(15,404,918)</b>	<b>(729,918)</b>	<b>5,492</b>	<b>(16,129,344)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 12,945,426</b>	<b>\$ (621,650)</b>	<b>\$ (6,508)</b>	<b>\$ 12,317,268</b>

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 654,058
Special	626
Vocational	2,484
<u>Support services:</u>	
Instructional staff	9,706
Operations and maintenance	15,258
Pupil transportation	45,734
Food service operations	1,547
Extracurricular activities	505
Total depreciation expense	<u>\$ 729,918</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds:					
Series 2011 general obligation improvement bonds 2.35% - 4.15%					
Current interest bonds	\$ 380,000	\$ -	\$ (50,000)	\$ 330,000	\$ 50,000
Series 2012 general obligation refunding bonds 2.00% - 3.00%					
Current interest bonds	475,000	-	(75,000)	400,000	75,000
Compensated absences	345,643	95,689	(109,170)	332,162	70,588
Net pension liability	10,732,738	307,808	(63,581)	10,976,965	-
Net OPEB liability	<u>1,197,530</u>	<u>-</u>	<u>(170,495)</u>	<u>1,027,035</u>	<u>-</u>
Total governmental activities long-term liabilities	13,130,911	<u>\$ 403,497</u>	<u>\$ (468,246)</u>	13,066,162	<u>\$ 195,588</u>
Add: Unamortized premium on bonds	<u>54,961</u>			<u>45,978</u>	
Total on statement of net position	<u>\$ 13,185,872</u>			<u>\$ 13,112,140</u>	

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

Series 2011 Felicity-Franklin HB264 Project School Improvement Bonds

On October 6, 2011, the District issued Series 2011 general obligation bonds for energy conservation improvements to school facilities with final maturity at December 1, 2025. The Series 2011 bonds are being repaid from the general fund.

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

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

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

Series 2012 Felicity-Franklin School Improvement Refunding Bonds

On March 27, 2012, the District issued Series 2012 school improvement refunding bonds to current refund a Series 1997 issuance on April 26, 2012 and current refund the callable portion of Series 2002 school improvement bonds on June 1, 2012. These bonds will mature on December 1, 2024. The Series 2012 bonds are being repaid from the debt service fund.

Compensated Absences

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

Net Pension Liability

The District's net pension liability is described in Note 12.

The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset

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

Future Debt Service Requirements

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2021	\$ 125,000	\$ 22,971	\$ 147,971
2022	125,000	19,021	144,021
2023	135,000	90,374	225,374
2024	135,000	10,021	145,021
2025	150,000	5,085	155,085
2026 - 2027	60,000	1,245	61,245
Total	<u>\$ 730,000</u>	<u>\$ 148,717</u>	<u>\$ 878,717</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$9,110,590 (including available funds of \$940,835), an unvoted debt margin of \$98,886.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

**B. Workers' Compensation**

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

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

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

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

The District's contractually required contribution to SERS was \$181,222 for fiscal year 2020. Of this amount, \$8,332 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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



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

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

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

The District's contractually required contribution to STRS was \$638,418 for fiscal year 2020. Of this amount, \$109,008 is reported as pension and postemployment benefits payable.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04274260%	0.03767911%	
Proportion of the net pension liability current measurement date	<u>0.03985120%</u>	<u>0.03885522%</u>	
Change in proportionate share	<u>-0.00289140%</u>	<u>0.00117611%</u>	
Proportionate share of the net pension liability	\$ 2,384,367	\$ 8,592,598	\$ 10,976,965
Pension expense	\$ 310,677	\$ 1,150,616	\$ 1,461,293

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 60,461	\$ 69,956	\$ 130,417
Changes of assumptions	-	1,009,368	1,009,368
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	29,476	154,166	183,642
Contributions subsequent to the measurement date	<u>181,222</u>	<u>638,418</u>	<u>819,640</u>
Total deferred outflows of resources	<u>\$ 271,159</u>	<u>\$ 1,871,908</u>	<u>\$ 2,143,067</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 37,195	\$ 37,195
Net difference between projected and actual earnings on pension plan investments	30,602	419,958	450,560
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>122,682</u>	<u>267,194</u>	<u>389,876</u>
Total deferred inflows of resources	<u>\$ 153,284</u>	<u>\$ 724,347</u>	<u>\$ 877,631</u>

\$819,640 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 5,789	\$ 424,828	\$ 430,617
2022	(84,457)	66,925	(17,532)
2023	(2,037)	(72,078)	(74,115)
2024	<u>17,358</u>	<u>89,468</u>	<u>106,826</u>
Total	<u>\$ (63,347)</u>	<u>\$ 509,143</u>	<u>\$ 445,796</u>

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

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

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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.

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

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

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,341,351	\$ 2,384,367	\$ 1,581,817

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

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 12,557,125	\$ 8,592,598	\$ 5,236,423

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

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

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$24,803.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$24,803 for fiscal year 2020. Of this amount, \$24,803 is reported as pension and postemployment benefits payable.

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

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

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

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.04316560%	0.03767911%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04083980%</u>	<u>0.03885522%</u>	
Change in proportionate share	<u>-0.00232580%</u>	<u>0.00117611%</u>	
Proportionate share of the net OPEB liability	\$ 1,027,035	\$ -	\$ 1,027,035
Proportionate share of the net OPEB asset	\$ -	\$ 643,536	\$ 643,536
OPEB expense	\$ 5,925	\$ (208,363)	\$ (202,438)



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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 15,075	\$ 58,343	\$ 73,418
Net difference between projected and actual earnings on OPEB plan investments	2,466	-	2,466
Changes of assumptions	75,013	13,527	88,540
Difference between employer contributions and proportionate share of contributions/change in proportionate share	37,122	6,776	43,898
Contributions subsequent to the measurement date	<u>24,803</u>	<u>-</u>	<u>24,803</u>
Total deferred outflows of resources	<u>\$ 154,479</u>	<u>\$ 78,646</u>	<u>\$ 233,125</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 225,632	\$ 32,741	\$ 258,373
Net difference between projected and actual earnings on OPEB plan investments	-	40,418	40,418
Changes of assumptions	57,552	705,562	763,114
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>78,915</u>	<u>54,774</u>	<u>133,689</u>
Total deferred inflows of resources	<u>\$ 362,099</u>	<u>\$ 833,495</u>	<u>\$ 1,195,594</u>

\$24,803 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (80,269)	\$ (164,956)	\$ (245,225)
2022	(32,902)	(164,956)	(197,858)
2023	(32,181)	(148,756)	(180,937)
2024	(32,299)	(143,074)	(175,373)
2025	(36,308)	(136,090)	(172,398)
Thereafter	<u>(18,464)</u>	<u>2,983</u>	<u>(15,481)</u>
Total	<u>\$ (232,423)</u>	<u>\$ (754,849)</u>	<u>\$ (987,272)</u>

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

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,246,626	\$ 1,027,035	\$ 852,435

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 822,863	\$ 1,027,035	\$ 1,297,922

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 549,130	\$ 643,536	\$ 722,909

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 729,740	\$ 643,536	\$ 537,956

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. School Foundation**

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**NOTE 15 - SET-ASIDES**

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

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

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

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

**NOTE 15 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	145,768
Current year offsets (funds besides 001)	(134,121)
Prior year offsets from Bond Proceeds	<u>(11,647)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

The District had current year expenditures and prior year offset from bond proceeds that reduced the capital improvements set-aside amount to zero. During fiscal years 1997 and 2012, the District issued \$1,350,000 and \$685,000, respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$1,995,270 at June 30, 2020.

**NOTE 16 - COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund Type</u>	
General fund	\$ 103,237
Other nonmajor governmental	<u>127,270</u>
Total	<u>\$ 230,507</u>

**NOTE 17 - COVID-19**

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

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,956,233	\$ 2,194,933	\$ 2,194,933	\$ -
Tuition. . . . .	566,907	566,195	566,195	-
Transportation fees. . . . .	1,500	-	-	-
Earnings on investments . . . . .	60,000	71,884	72,912	1,028
Extracurricular. . . . .	1,100	1,500	1,500	-
Rental income . . . . .	3,000	3,000	3,000	-
Other local revenues . . . . .	18,000	20,908	21,008	100
Intergovernmental - state . . . . .	8,197,786	8,095,050	8,095,050	-
Intergovernmental - federal . . . . .	80,000	118,089	118,089	-
<b>Total revenues . . . . .</b>	<b>10,884,526</b>	<b>11,071,559</b>	<b>11,072,687</b>	<b>1,128</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,160,865	4,079,225	4,264,108	(184,883)
Special. . . . .	2,161,958	2,121,142	2,123,483	(2,341)
Vocational. . . . .	365,487	383,358	379,196	4,162
Other. . . . .	99,383	104,097	134,222	(30,125)
Support services:				
Pupil. . . . .	207,298	215,179	242,349	(27,170)
Instructional staff . . . . .	483,698	548,847	511,120	37,727
Board of education . . . . .	26,349	27,264	20,033	7,231
Administration. . . . .	826,759	859,920	889,950	(30,030)
Fiscal . . . . .	383,520	363,468	344,200	19,268
Business . . . . .	9,142	9,500	10,195	(695)
Operations and maintenance. . . . .	1,203,791	1,175,438	948,175	227,263
Pupil transportation . . . . .	627,826	612,822	553,542	59,280
Central. . . . .	40,816	42,333	38,822	3,511
Extracurricular activities. . . . .	23,666	24,515	24,184	331
Debt service:				
Principal . . . . .	48,243	49,999	50,000	(1)
Interest and fiscal charges. . . . .	14,215	14,733	14,733	-
<b>Total expenditures . . . . .</b>	<b>10,683,016</b>	<b>10,631,840</b>	<b>10,548,312</b>	<b>83,528</b>
<b>Excess of revenues over expenditures. . . . .</b>	<b>201,510</b>	<b>439,719</b>	<b>524,375</b>	<b>84,656</b>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	79,749	25,387	25,387	-
Transfers (out). . . . .	(243,701)	(243,701)	(249,000)	(5,299)
Advances (out) . . . . .	-	-	(20,000)	(20,000)
<b>Total other financing sources (uses) . . . . .</b>	<b>(163,952)</b>	<b>(218,314)</b>	<b>(243,613)</b>	<b>(25,299)</b>
<b>Net change in fund balance . . . . .</b>	<b>37,558</b>	<b>221,405</b>	<b>280,762</b>	<b>59,357</b>
<b>Fund balance at beginning of year . . . . .</b>	<b>4,442,294</b>	<b>4,442,294</b>	<b>4,442,294</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>40,248</b>	<b>40,248</b>	<b>40,248</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,520,100</b>	<b>\$ 4,703,947</b>	<b>\$ 4,763,304</b>	<b>\$ 59,357</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

**BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	General Fund
Budget basis	\$ 280,762
Net adjustment for revenue accruals	(272,752)
Net adjustment for expenditure accruals	(12,331)
Net adjustment for other sources/uses	(5,387)
Funds budgeted elsewhere	8,334
Adjustment for encumbrances	160,628
GAAP basis	\$ 159,254

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03985120%	0.04274260%	0.04017600%	0.04337126%
District's proportionate share of the net pension liability	\$ 2,384,367	\$ 2,447,948	\$ 2,400,427	\$ 3,174,376
District's covered payroll	\$ 1,345,830	\$ 1,386,178	\$ 1,807,207	\$ 1,752,414
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.17%	176.60%	132.83%	181.14%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04386000%	0.04383000%	0.04383000%
\$ 2,502,437	\$ 2,218,009	\$ 2,606,192
\$ 1,818,217	\$ 1,645,916	\$ 1,777,139
137.63%	134.76%	146.65%
69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03885522%	0.03767911%	0.03905665%	0.03951038%
District's proportionate share net pension liability	\$ 8,592,598	\$ 8,284,790	\$ 9,277,991	\$ 13,225,315
District's covered payroll	\$ 4,499,379	\$ 4,418,300	\$ 4,484,129	\$ 4,679,329
District's proportionate share of the net pension liability as a percentage of its covered payroll	190.97%	187.51%	206.91%	282.63%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.78%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04050000%	0.03988000%	0.03988000%
\$ 11,191,993	\$ 9,701,247	\$ 11,556,061
\$ 4,481,743	\$ 4,388,546	\$ 4,370,077
249.72%	221.06%	264.44%
72.09%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 181,222	\$ 181,687	\$ 187,134	\$ 253,009
Contributions in relation to the contractually required contribution	<u>(181,222)</u>	<u>(181,687)</u>	<u>(187,134)</u>	<u>(253,009)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,294,443	\$ 1,345,830	\$ 1,386,178	\$ 1,807,207
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 638,418	\$ 629,913	\$ 618,562	\$ 627,778
Contributions in relation to the contractually required contribution	<u>(638,418)</u>	<u>(629,913)</u>	<u>(618,562)</u>	<u>(627,778)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,560,129	\$ 4,499,379	\$ 4,418,300	\$ 4,484,129
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.04083980%	0.04316560%	0.04086480%	0.04397955%
District's proportionate share net OPEB liability	\$ 1,027,035	\$ 1,197,530	\$ 1,096,704	\$ 1,253,580
District's covered payroll	\$ 1,345,830	\$ 1,386,178	\$ 1,807,207	\$ 1,752,414
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.31%	86.39%	60.69%	71.53%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03885522%	0.03767911%	0.03905665%	0.03951038%
District's proportionate share net OPEB liability/(asset)	\$ (643,536)	\$ (605,465)	\$ 1,523,846	\$ 2,113,025
District's covered payroll	\$ 4,499,379	\$ 4,418,300	\$ 4,484,129	\$ 4,679,329
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.30%	13.70%	33.98%	45.16%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 24,803	\$ 31,657	\$ 29,377	\$ 22,713
Contributions in relation to the contractually required contribution	<u>(24,803)</u>	<u>(31,657)</u>	<u>(29,377)</u>	<u>(22,713)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,294,443	\$ 1,345,830	\$ 1,386,178	\$ 1,807,207
Contributions as a percentage of covered payroll	1.92%	2.35%	2.12%	1.26%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,560,129	\$ 4,499,379	\$ 4,418,300	\$ 4,484,129
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Felicity Franklin Local School District, Clermont County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 6, 2021 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

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

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

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

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

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

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 6, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/20/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)