



OHIO AUDITOR OF STATE
KEITH FABER



**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY
JUNE 30, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis.....	6
Fund Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis Governmental Funds	7
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Modified Cash Basis Governmental Funds	8
Statement of Fiduciary Net Position – Modified Cash Basis Fiduciary Fund	9
Statement of Changes in Fiduciary Net Position – Modified Cash Basis Fiduciary Fund	10
Notes to the Basic Financial Statements	11
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	47
Schedule of Findings.....	49
Prepared by Management:	
Summary Schedule of Prior Audit Findings	51
Corrective Action Plan	53

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Franklin City School District
Warren County
150 East 6th Street
Franklin, Ohio 45005

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 19 to the financial statements, during fiscal year 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

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

This page intentionally left blank.

Franklin CSD
Statement of Net Position - Modified Cash Basis
June 30, 2021

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$74,848,787</u>
Total Assets	<u>74,848,787</u>
Net Cash Position:	
Restricted for:	
Debt Service	3,283,382
Capital Projects	65,233,515
Food Service	62,757
Student Wellness	29,835
Other Purposes	870,619
Unrestricted	<u>5,368,679</u>
Total Net Cash Position	<u><u>\$74,848,787</u></u>

See accompanying notes to the basic financial statements.

Franklin CSD
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2021

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$18,033,042	\$1,477,997	\$241,306	(\$16,313,739)
Special	7,544,254	191,834	3,176,647	(4,175,773)
Vocational	218,185	0	23,760	(194,425)
Other	105,361	6,918	0	(98,443)
Support Services:				
Pupil	2,768,691	42	138,041	(2,630,608)
Instructional Staff	2,347,506	1,122	662,357	(1,684,027)
General Administration	243,865	0	0	(243,865)
School Administration	2,564,652	0	120,381	(2,444,271)
Fiscal	1,308,493	0	0	(1,308,493)
Business	413,077	0	0	(413,077)
Operations and Maintenance	2,854,986	4,338	221,957	(2,628,691)
Pupil Transportation	2,035,105	0	141,955	(1,893,150)
Central	139,592	0	14,400	(125,192)
Operation of Non-Instructional Services	2,190,860	67,237	1,584,486	(539,137)
Extracurricular Activities	607,403	140,530	0	(466,873)
Capital Outlay	873,672	0	0	(873,672)
Debt Service:				
Principal Retirement	9,861,615	0	0	(9,861,615)
Interest and Fiscal Charges	864,030	0	0	(864,030)
Totals	\$54,974,389	\$1,890,018	\$6,325,290	(46,759,081)

General Receipts:

Property Taxes Levied for:

General Purposes	16,430,083
Debt Service Purposes	1,379,776
Capital Projects Purposes	434,052
Grants and Entitlements, Not Restricted	13,640,231
Revenue in Lieu of Taxes	615,439
Gifts and Contributions	15,781
Investment Earnings	20,035
Issuance of Long-Term Capital-Related Debt	65,025,000
Issuance of Short-Term Notes	9,700,000
Premium on Bonds and Notes Issued	3,401,586
Other Receipts	777,825

Total General Receipts 111,439,808

Change in Net Cash Position 64,680,727

Net Cash Position - Beginning of Year, Restated 10,168,060

Net Cash Position - End of Year \$74,848,787

See accompanying notes to the basic financial statements.

Franklin CSD
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2021

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$5,145,439	\$3,283,382	\$65,233,515	\$1,186,451	\$74,848,787
Total Assets	5,145,439	3,283,382	65,233,515	1,186,451	74,848,787
Fund Cash Balances:					
Restricted	0	3,283,382	65,233,515	963,211	69,480,108
Committed	0	0	0	223,240	223,240
Assigned	610,113	0	0	0	610,113
Unassigned	4,535,326	0	0	0	4,535,326
Total Fund Cash Balances	\$5,145,439	\$3,283,382	\$65,233,515	\$1,186,451	\$74,848,787

See accompanying notes to the basic financial statements.

Franklin CSD
Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Taxes	\$16,430,083	\$1,379,776	\$0	\$434,052	\$18,243,911
Tuition and Fees	1,629,609	0	0	46,705	1,676,314
Investment Earnings	13,037	0	2,987	4,011	20,035
Intergovernmental	15,436,529	66,434	0	4,462,558	19,965,521
Extracurricular Activities	22,633	0	0	117,897	140,530
Charges for Services	0	0	0	68,828	68,828
Revenue in Lieu of Taxes	615,439	0	0	0	615,439
Gifts and Contributions	6,781	0	0	0	6,781
Other Receipts	447,356	0	0	343,815	791,171
Total Receipts	34,601,467	1,446,210	2,987	5,477,866	41,528,530
Cash Disbursements:					
Current:					
Instruction:					
Regular	16,829,245	0	0	1,203,797	18,033,042
Special	5,967,890	0	0	1,576,364	7,544,254
Vocational	218,185	0	0	0	218,185
Other	105,361	0	0	0	105,361
Support Services:					
Pupil	2,627,756	0	0	140,935	2,768,691
Instructional Staff	1,458,400	0	0	889,106	2,347,506
General Administration	243,865	0	0	0	243,865
School Administration	2,440,027	0	0	124,625	2,564,652
Fiscal	1,285,021	18,148	0	5,324	1,308,493
Business	413,077	0	0	0	413,077
Operations and Maintenance	1,827,649	0	0	1,027,337	2,854,986
Pupil Transportation	1,481,636	0	0	553,469	2,035,105
Central	132,392	0	0	7,200	139,592
Operation of Non-Instructional Services	25	0	0	2,190,835	2,190,860
Extracurricular Activities	448,869	0	0	158,534	607,403
Capital Outlay	0	0	794,472	79,200	873,672
Debt Service:					
Principal Retirement	63,933	9,797,682	0	0	9,861,615
Interest and Fiscal Charges	28,916	835,114	0	0	864,030
Total Cash Disbursements	35,572,247	10,650,944	794,472	7,956,726	54,974,389
Excess of Receipts Over (Under) Cash Disbursement:	(970,780)	(9,204,734)	(791,485)	(2,478,860)	(13,445,859)
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	8,700,000	56,325,000	0	65,025,000
Issuance of Short-Term Notes	0	0	9,700,000	0	9,700,000
Premium on Bonds and Notes Issued	0	3,401,586	0	0	3,401,586
Advances In	528,008	0	0	2,086,590	2,614,598
Advances (Out)	(2,086,590)	0	0	(528,008)	(2,614,598)
Total Other Financing Sources (Uses)	(1,558,582)	12,101,586	66,025,000	1,558,582	78,126,586
Net Change in Fund Cash Balance	(2,529,362)	2,896,852	65,233,515	(920,278)	64,680,727
Fund Balance - Beginning of Year, Restated	7,674,801	386,530	0	2,106,729	10,168,060
Fund Cash Balance - End of Year	\$5,145,439	\$3,283,382	\$65,233,515	\$1,186,451	\$74,848,787

See accompanying notes to the basic financial statements.

Franklin CSD
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
June 30, 2021

	<u>Custodial</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$0</u>
Total Assets	<u>0</u>
Net Cash Position:	
Restricted for Individuals, Organizations, and Other Governmen	<u>0</u>
Total Net Cash Position	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

Franklin CSD
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2021

	<u>Custodial</u>
Additions:	
Extracurricular collections for OHSAA	<u>\$1,600</u>
Total Additions	<u>1,600</u>
Deductions:	
Extracurricular distributions to OHSAA	<u>1,600</u>
Total Deductions	<u>1,600</u>
Change in Net Cash Position	0
Net Cash Position - Beginning of Year, Restated	<u>0</u>
Net Cash Position - End of Year	<u>\$0</u>

See accompanying notes to the basic financial statements.

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Note 1 - Description of the School District and Reporting Entity

The Franklin City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member board and provides educational services as authorized by its charter or further mandated by state/federal agencies. The Board controls the School District's eight instructional facilities and provides education to approximately 3,000 students.

The School District is located in Franklin, Ohio and serves an area of approximately 36 square miles. The School District operates six elementary schools (K-6), one junior high school (7-8), and one high school (9-12).

Reporting Entity:

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

Parochial Schools – Within the School District boundaries, Bishop Fenwick High School is operated as a private Catholic school. Current state legislation provides funding to parochial and private schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial and private charter schools. This program is reflected as a governmental activity for financial reporting purposes.

Component units are legally separate organizations for which the School District would be financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in the amount to the School District. The School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Southwestern Ohio Computer Association (SWOCA), the Warren County Career Center, the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Note 12 and 13 to the basic financial statements.

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting Section of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The most significant of the School District's accounting principles are described below.

Basis of Presentation - Fund Accounting

The School District uses the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities that are reported as business-type.

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

Fund Financial Statements:

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Fund Accounting

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

Governmental Funds:

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building Fund – The building fund is used to account for receipts and expenditures related to the acquisition and construction of capital facilities including real property. Debt proceeds related to this activity are recorded in this fund, except premium or accrued interest.

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has an Ohio High School Athletic Association events fund to account for assets and liabilities of OHSAA athletic events of the School District.

Basis of Accounting

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

As a result of the use of the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Cash and Investments

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

During fiscal year 2021, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a money market fund.

During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$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.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$13,037, \$2,987 credited to the Building Fund, and \$4,011 credited to Other Governmental Funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they were purchased by the District are presented on the financial statements as cash equivalents.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Long-Term Obligations

Modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for extracurricular activities and state grants.

The School District applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Cash Balance

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

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

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

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

Interfund Transactions

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

Budgetary Process

All funds, other than the custodial fund, 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the General Fund and which was in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. Prior to fiscal year-end, the School District passed an amended appropriation resolution that matched appropriations to expenditures plus encumbrances.

Note 3 - Deposits and Investments

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

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

Inactive 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 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 accounts, including passbook accounts.

Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,275,962 and the bank balance was \$8,614,158. \$500,936 of the School District's deposits was insured by federal depository insurance. As of June 30, 2021, \$8,113,222 of the School District's bank balance of \$8,614,158 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used 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. At June 30, 2021, the School District invested \$5,544,833 into STAR Ohio and \$61,027,994 in a money market fund. STAR Ohio is reported at its share price (Net Asset value per share) and has average days to maturity of 54.4 days.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investment in STAR Ohio is rated AAAM by Standard & Poor's. Money market funds are not rated.

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. Of the School District's investments at June 30, 2021, 8% was invested in STAR Ohio, and 92% was invested in money market funds.

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$436,044,670	93.38%	\$444,348,330	93.38%
Public Utility Personal	33,026,460	6.62%	37,320,430	6.62%
Total	<u>\$469,071,130</u>	<u>100.00%</u>	<u>\$481,668,760</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$64.03		\$69.12	

Note 5 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with American Family for its insurance. Building/contents and boiler and machinery insurance have a \$66,996,765 limit. There is a \$1,000 deductible with this

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

coverage.

General liability and sexual misconduct has a \$1 million single and \$3 million aggregate limit. Errors and omission liability limit is \$1 million single and \$3 million aggregate. The deductible is \$2,500. The School District's vehicles are covered by Trident with a liability limit of \$1 million and uninsured motorist or underinsured limit of \$1 million. The deductible is \$250/\$500. The School District also carries an addition \$1 million liability/auto umbrella (excess limit).

The School District carries blanket employee bond in the amount of \$50,000. This bond is held by the Traveler's Casualty and Surety Company of America for everyone except the Treasurer. The Nationwide Mutual Insurance Company maintains a \$50,000 public official bond for the Treasurer.

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

Workers' Compensation

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

Note 6 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed;

**Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021**

however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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, 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

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

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$726,644 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,179,416 for fiscal year 2021.

Net Pension Liability

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$9,011,803	\$31,599,938	\$40,611,741
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13624910%	0.13059746%	
Prior Measurement Date	0.13255020%	0.13027616%	
Change in Proportionate Share	0.00369890%	0.00032130%	

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 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)

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 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

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

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

Discount Rate

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

Sensitivity of the 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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$12,345,069	\$9,011,803	\$6,215,129

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

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
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

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

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

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

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

Discount Rate

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$44,992,811	\$31,599,938	\$20,250,594

Note 7 - Defined Benefit OPEB Plans

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

See Note 6 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District’s surcharge obligation was \$60,694.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$60,694 for fiscal year 2021.

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. The Plan is included in the report of STRS which can be obtained by visiting 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,921,178	\$0	\$2,921,178
Proportionate Share of the Net OPEB (Asset)	0	(2,295,249)	(2,295,249)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.13441040%	0.13059746%	
Prior Measurement Date	<u>0.13316440%</u>	<u>0.13027616%</u>	
Change in Proportionate Share	0.00124600%	0.00032130%	

**Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021**

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, 2020, are presented below:

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

**Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021**

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Proportionate share of the net OPEB liability	\$3,575,449	\$2,921,178	\$2,401,033
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$2,300,205	\$2,921,178	\$3,751,577

Actuarial Assumptions - STRS

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

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%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00% initial, 4% ultimate
Medicare	-6.69% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	6.50% initial, 4% ultimate
Medicare	11.87% initial, 4% ultimate

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

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

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

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

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 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 Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$1,997,015)	(\$2,295,249)	(\$2,548,288)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$2,532,581)	(\$2,295,249)	(\$2,006,142)

**Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021**

Since the Prior Measurement Date

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

Note 8 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty five 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 and administrators do not earn vacation time, with the exception of the Superintendent, Assistant Superintendent, Curriculum Coordinator and Treasurer.

Teachers, administrators, and employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for classified staff and 240 for certified staff. Upon retirement, employees are paid 25% of their unused sick leave up to a maximum of 60 days for classified staff and 60 days for certified staff for those employees who worked for the School District 10 years or more.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life. The School District provides comprehensive medical/surgical (including major medical) coverage through private carriers to most employees. Employee's medical insurance is provided by Anthem PPO. The School District and employees share in the monthly premiums.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

This Space Intentionally Left Blank

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Note 9 – Notes Payable

A summary of the note transactions for the current year end are as follows:

		Beginning Balance	Additions	Deletions	Ending Balance
Bond Anticipation Notes:					
Governmental Activities:					
School Improvement Bond Anticipation Notes	1.75%	\$0	\$9,700,000	(\$9,700,000)	\$0
School Improvement BANs - Premium		0	40,837	(40,837)	0
Total Governmental Activities		<u>\$0</u>	<u>\$9,740,837</u>	<u>(\$9,740,837)</u>	<u>\$0</u>

On December 30, 2020, the School District issued \$9,700,000 in short-term bond anticipation notes with a coupon rate of 1.75% and a maturity date of April, 8, 2021.

Note 10 - Long-Term Obligations

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

	Amount Outstanding 6/30/2020	Additions	Deletions	Amount Outstanding 6/30/2021	Amount Due in One Year
Governmental Activities					
Energy Conservation Bonds 5.5%	\$319,670	\$0	(\$63,933)	\$255,737	\$63,933
Library Improvement Refunding Bonds 2007					
Capital Appreciation Bonds 4.35%	56,069	0	(21,577)	34,492	18,761
Accretion on CABs	251,135	15,011	(118,423)	147,723	0
Library Improvement Current Refunding Bonds - 2017					
Serial Bonds 2%	440,000	0	0	440,000	0
Term Bonds 3-4%	610,000	0	0	610,000	0
Capital Appreciation Bonds	144,999	0	(76,105)	68,894	68,894
Accretion on CABs	45,339	14,564	(28,895)	31,008	0
Premium on Refunding Bonds	89,403	0	(8,132)	81,271	0
School Improvement Bonds-2021B	0	8,700,000	0	8,700,000	0
Premium on 2021B Bonds	0	998,065	0	998,065	0
School Improvement Bonds-2021A	0	56,325,000	0	56,325,000	1,155,000
Premium on 2021A Bonds	0	2,362,684	0	2,362,684	0
Total	<u>\$1,956,615</u>	<u>\$68,415,324</u>	<u>(\$317,065)</u>	<u>\$70,054,874</u>	<u>\$1,306,588</u>

On August 4, 2010, the School District issued \$959,000 in energy conservation bonds at a 5.5% interest rate. The term bonds are qualified school construction bonds – direct payment where the School District will receive a yearly subsidy reducing the interest costs over the life of the bonds by \$723,975. The School District is required to pay \$63,933 annually into a sinking fund for when the bonds term bonds mature on December 1, 2024. Energy conservation measures include a retrofit of lights, boilers and chillers at the high school. The annual anticipated savings from the energy conservation measures is \$62,751.

On July 17, 2007, the School District issued Library Improvement Refunding bonds. \$980,000 is serial bonds with interest rates ranging from 4% to 4.2% with a final maturity on December 1, 2018. \$1,295,000 is term bonds with an interest rate of 4.35% maturing December 1, 2030. \$79,997 is capital

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

appreciation bonds (maturity amount of \$135,000 on December 1, 2019 and 2022 and \$140,000 on December 1, 2020 and 2021). The capital appreciation bonds were accreted \$20,414 in fiscal year 2020. In fiscal year 2018, \$1,425,000 of these bonds was refunded.

On September 7, 2017, the School District issued Library Improvement Current Refunding bonds. \$640,000 is serial bonds with interest rates of 2% with a final maturity on December 1, 2025. \$610,000 is term bonds with an interest rates ranging from 3% to 4% maturing December 1, 2027 and December 1, 2030. \$144,999 is capital appreciation bonds (maturity amount of \$105,000 on December 1, 2020 and 2021). The capital appreciation bonds were accreted \$18,034 in fiscal year 2020.

On March 3, 2021, the School District issued \$56,325,000 in School Improvement Bonds at a 3.0% interest rate. The bonds will mature on November 1, 2057.

On March 18, 2021, the School District issued \$8,700,000 in School Improvement Bonds at a 3.0% interest rate. The bonds will mature on November 1, 2042.

The term bonds are due December 1, 2027 and 2030, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2027	\$115,000
2028	120,000
2029	120,000
2030	125,000
2031	130,000

The library bonds will be paid from the Bond Retirement Debt Service Fund. The energy conservation bonds will be paid from the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30	<u>Library Bonds</u>		<u>Energy Conservation Bonds</u>		<u>School Improvement Bonds</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$87,655	\$244,527	\$63,933	\$52,745	\$1,155,000	\$2,063,475
2023	120,731	205,402	63,933	52,745	490,000	1,908,750
2024	110,000	27,650	63,933	52,745	530,000	1,893,450
2025	110,000	25,450	63,938	26,373	570,000	1,876,950
2026	115,000	23,200	0	0	660,000	1,858,500
2027-2031	610,000	60,025	0	0	4,180,000	8,949,300
2032-2036	0	0	0	0	6,020,000	8,187,000
2037-2041	0	0	0	0	7,810,000	5,004,125
2042-2046	0	0	0	0	9,865,000	8,458,800
2047-2051	0	0	0	0	12,385,000	4,163,475
2052-2056	0	0	0	0	14,780,000	2,127,750
2057-2058	0	0	0	0	6,580,000	196,800
Total	<u>\$1,153,386</u>	<u>\$586,254</u>	<u>\$255,737</u>	<u>\$184,608</u>	<u>\$65,025,000</u>	<u>\$46,688,375</u>

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Note 11 – Fund Balance

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

Fund Balance	General	Bond	Building Fund	Other	Total
		Retirement Fund		Governmental Funds	Governmental Funds
Restricted for:					
Other Grants	\$0	\$0	\$0	\$526,056	\$526,056
Food Service	0	0	0	62,757	62,757
District Managed Student Activity	0	0	0	54,985	54,985
Debt Service	0	0	0	0	0
Bond Retirement Fund	0	3,283,382	0	0	3,283,382
Building	0	0	65,233,515	0	65,233,515
Fenwick Auxiliary	0	0	0	8,219	8,219
Ohio School Net Professional Development	0	0	0	7,200	7,200
Student Wellness and Success	0	0	0	29,835	29,835
Student Activity	0	0	0	66,417	66,417
Special Trust	0	0	0	207,742	207,742
Total Restricted	0	3,283,382	65,233,515	963,211	69,480,108
Committed to:					
Permanent Improvements	0	0	0	223,240	223,240
Assigned for:					
Unpaid Obligations	142,123	0	0	0	142,123
FY 21 Appropriations	378,945	0	0	0	378,945
Public School Supprt	89,045	0	0	0	89,045
Total Assigned	610,113	0	0	0	610,113
Unassigned	4,535,326	0	0	0	4,535,326
Total Fund Balance	\$5,145,439	\$3,283,382	\$65,233,515	\$1,186,451	\$74,848,787

Note 12- Jointly Governed Organizations

Southwestern Ohio Computer Association (SWOCA)

The District is a participant in the Southwestern Ohio Computer Association (SWOCA), which is an information technology center which provides on-line computerized services to the member school districts. SWOCA provides services to the member school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of SWOCA consists of one representative from each of the participating members plus one representative from the fiscal agent. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Warren County Career Center

The Warren County Career Center, a jointly governed organization, is a district political subdivision of the State of Ohio operated under the direction of a seven-member Board which possesses its own budgeting and taxing authority. The Board is appointed by Franklin, Kings, Lebanon, Little Miami,

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

Springboro and Waynesville School Districts, one from each of the six districts and a seventh member from one of those districts in a rotation schedule. Accordingly, the Warren County Career Center is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained from Cathy McMonigle, Treasurer, at 3525 N. St. Rt. 48, Lebanon, Ohio 45036.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 180 school districts in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

Note 13 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Note 14 – Contingencies

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

Litigation

The School District is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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 2021 are not

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

finalized. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 15 – Set-Aside Calculations and Fund Reserves

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2021.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2020	\$0
Current Year Set-aside Requirement	521,311
Offsets - Permanent Improvement Levy	(521,311)
Qualifying Disbursements	-
Totals	<u>\$0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2021	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisitions amounts below zero; however, this extra amount may not be used to reduce the set-aside requirement in future fiscal years.

Note 16 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled **and** (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible. The zone’s geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

petition the Director of ODSA. The Director must then certify the area for it to become an active Enterprise Zone. Local communities may offer tax incentives for non-retail projects that are establishing or expanding operations in the State of Ohio. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins.

Businesses located in an Enterprise Zone may negotiate exemptions on new property tax from investment for up to seventy-five percent for ten years. For commercial projects, job retention and/or creation is also required. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. Agreements must be in place before the project begins. Pursuant to the terms of such agreements, if the actual number of employee positions created or retained by the business in any three-year period during which the agreement is in effect is not equal to or greater than seventy-five percent of the number of employee positions estimated to be created or retained under the agreement, the business shall repay the amount of taxes on property that would have been payable had the property not been exempted. In addition, the local governments may terminate or modify the exemptions from taxation granted under the agreement if the terms of the agreement are not met.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings.

Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

A summary of the property taxes foregone by the School District for abatement programs within the School District for the year 2018 (the most recent information available) follows:

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

<u>Type of Abatement/Government</u>	2018 <u>Abated Taxes</u>
Enterprize Zone Agreements (City of Middletown)	\$59,268
Community Investment Area (City of Franklin)	153,271
Community Investment Area (City of Springboro)	<u>147,899</u>
	<u><u>\$360,438</u></u>

Note 17 – Interfund Transactions

Interfund transactions at fiscal year end, consisted of the following individual fund advances:

	Advances	
	<u>In</u>	<u>Out</u>
General Fund	\$528,008	\$2,086,590
Other Governmental Funds	<u>2,086,590</u>	<u>528,008</u>
Total All Funds	<u><u>\$2,614,598</u></u>	<u><u>\$2,614,598</u></u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated in the statement of activities.

The advances out of the general fund into the other governmental funds were to cover negative fund cash balances.

Note 18 – Compliance

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

Note 19 – Implementation of New Accounting Principles and Restatement of Net Position

New Accounting Principles

For fiscal year 2021, the School District implemented GASB Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and GASB Statements No. 61.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. If applicable, fund reclassifications resulted in the restatement of the School District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

Restatement of Fund Balance/Net Position

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2020:

	Other Governmental Funds
	<u> </u>
Fund Balance, June 30, 2020	\$1,798,919
Adjustments-Presentation Changes:	
GASB Statement No. 84	<u>307,810</u>
Restated Fund Balance, June 30, 2020	<u><u>\$2,106,729</u></u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2020:

Franklin City School District
Notes to the Basic Financial Statements
For The Year Ended June 30, 2021

	<u>Governmental Activities</u>
Net Position, June 30, 2020	\$9,860,250
Adjustments-Presentation Changes:	
GASB Statement No. 84	<u>307,810</u>
Restated Net Position, June 30, 2020	<u><u>\$10,168,060</u></u>

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2020, agency funds reported assets and net cash position of \$74,440. Also, related to the implementation of GASB Statement No. 84, the entity will no longer be reporting private purpose trust funds. At June 30, 2020, private purpose funds reported a net position of \$233,370.

Note 20 – COVID-19

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

Note 21 – Subsequent Events

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$2,503,749 in revenues and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grant/ Pass Through Grantor Program Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$61,640
Cash Assistance:			
COVID-19 School Breakfast Program	10.553	3L70	57,331
School Breakfast Program	10.553	3L70	<u>271,458</u>
Total School Breakfast Program			328,789
COVID-19 National School Lunch Program	10.555	3L60	99,437
National School Lunch Program	10.555	3L60	<u>618,521</u>
Total National School Lunch Program			717,958
Total Child Nutrition Cluster			<u>1,108,387</u>
Total U.S. Department of Agriculture			<u>1,108,387</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education- Grants to States	84.027	3M20	880,273
Special Education- 6B IDEA Restoration	84.027A	3M20	28,573
Special Education- Preschool Grants	84.173	3C50	<u>24,886</u>
Total Special Education Cluster			<u>933,732</u>
Title I Grants to Local Educational Agencies	84.010	3M00	660,312
Supporting Effective Instruction State Grants	84.367	3Y60	107,332
Student Support and Academic Enrichment Program	84.424	3H10	22,295
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	3HS0	<u>2,108,669</u>
Total U.S. Department of Education			<u>3,832,340</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>Passed Through Ohio Department of Education:</i>			
COVID-19 Coronavirus Relief Fund	21.019	5CV1	<u>139,559</u>
Total U.S. Department of the Treasury			<u>139,559</u>
Total Expenditures of Federal Awards			<u><u>\$5,080,286</u></u>

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

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Franklin City School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F – MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



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

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

Franklin City School District
Warren County
150 East 6th Street
Franklin, Ohio 45005

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin City School District, Warren County, (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 25, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School 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 which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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



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

Franklin City School District
Warren County
150 East 6th Street
Franklin, Ohio 45005

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



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

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	84.425: Elementary and Secondary School Emergency Relief Fund (ESSER)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**FINDING NUMBER 2021-001
(Continued)**

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

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

Officials' Response:

See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Ohio Rev. Code §117.38; Ohio Admin. Code 117-2-03(B) – requires the School District to file annual financial reports which are prepared using GAAP	Not Corrected	Reissued as Finding 2021-001

This page intentionally left blank.



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2021

Finding Number: 2021-001
Planned Corrective Action: Return to GAAP Basis Reporting
Anticipated Completion Date: Fiscal Year 2023 - 2024
Responsible Contact Person: Kevin Hawley, Treasurer

The district intentionally chooses not to file annual financial reports in accordance with Generally Accepted Accounting Practices (GAAP) due to the lack of available resources. The Treasurer's Office sustained a significant turn over in staff while being understaffed. With the loss of the treasurer and one staff member prior to the beginning of the Audit for Fiscal 2020, the focus is and has been to fully staff and train for daily operations. With that, the Board has contracted with a new treasurer to begin August 1, 2021.

Contributing to the delay in GAAP Basis Reporting, the District must migrate to a new accounting system by the end of calendar year 2022. This process will compound the current challenges of training new staff by introducing a new accounting system. The expectation for this migration will likely not be possible until the beginning or middle of the 2021-2022 fiscal year.

Once the Franklin City School District Treasurer's Office is fully staffed, trained and familiar with the new accounting system, the Board's intent is to return to filing its annual financial reports in accordance with GAAP.

OHIO AUDITOR OF STATE KEITH FABER



FRANKLIN CITY SCHOOL DISTRICT

WARREN 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 5/10/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov